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NATIONAL BUSINESS REVIEW

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Cartoned milk sales flout Govt directives

by Warren Berryman

CARTONED white milk — which private enterprise is prohibited from selling on the domestic market — is being produced by the Dairy Board and sold in Auckland and the Great Barrier Island.

Trade and Industry Minister Lance Adams-Schneider said in August he would grant import licences for carton machines provided that they were used only to carton flavoured milk, yogurt, and fruit juice.

Companies which applied for licences to bring in carton machines had to give written assurances that the equipment would not be used to carton white milk. The Government wanted to ensure that home milk deliveries and Alex Harvey Industries' glass milk bottle monopoly were not jeopardised.

Under the Milk Act, the Milk Board controls sales of all white milk and licences town milk producers.

But the board has no licence to produce white milk for the local market.

White UHT milk is being produced by the Dairy Board-owned plant at Takanini. It is marketed by Anchor Distributors, marketing agents for the New Zealand Co-operative Dairy Company, which operates the Dairy Board's Tetra Pack plant.

In line with Government policy this white milk was intended only for export.

An Anchor Distributor employee said last week the white milk was being sold to New Zealand consumers only on Great Barrier Island.

The Dairy Board's manager of UHT products, Bruce McKinnon, said that if Anchor was selling UHT white milk on Great Barrier Island, it must have been given permission by the Milk Board.

The Dairy Board produced the milk but didn't sell it, McKinnon pointed out.

The Dairy Board's UHT

white milk is sold to ship's chandlers for resale to foreign and coastal ships and private yachts bound for foreign destinations, Anchor Distributors told NBR.

Ship sales of milk are helped by cartons, which are lighter and take less refrigerated shelf space than bottles.

NBR understands this milk could be bought from ship's chandlers for 43 cents a 500 ml carton in lots of 36 cartons whether it was bound for overseas destinations or for local use.

The Dairy Board's UHT milk sells for about 50 cents a carton on Great Barrier Island.

The maximum retail price laid down by the Milk Board is understood to be 41 cents a carton for the domestic market.

With help from the Government and AHI, the Dairy Board is now in a strong position to dominate the packaging and marketing of milk, flavoured milk, fruit juice, yogurt, and other milk or

cream-based products.

Ironically, AHI was criticised for its monopolising position and pricing in submissions to the IDC during its packaging industry study.

The sale of white UHT milk around Auckland is the latest in a series of developments which have inhibited competition in the cartonised-drinks market. Government action delayed the introduction of Pure-Pak cartons while the Dairy Board stole a march on private enterprise with Tetra Pack cardboard and foil cartons.

UEB Industries — first up with their carton concept — invested heavily in trying to introduce Pure-Pak cartons.

But the Trade and Industry Department refused to grant import licences for the machine until UEB could prove that cartons were in "the national interest".

While UEB's plans were stalled for six years by inter-departmental wrangling and a time-consuming caucus committee, the Dairy Board wiped out the company's lead time by installing its own cartoning machine.

The Dairy Board was granted its import licence

the machine on the grounds that its UHT milk would be exported.

But when the machine was operating, the Dairy Board began selling Zap flavoured milk on the local market. Sales initially were poor, but are reported now to be good and improving.

Pure-Pak is now handled by Pure-Pak NZ Ltd (70 per cent UEB-owned).

One Pure-Pak machine has been installed at the Hutt Milk Corporation plant, another is ready for commissioning, and two more are being imported.

The Government's reason for thwarting Pure-Pak has been that the introduction of cartons would jeopardise home delivery and thus reduce total milk sales.

But in all its submissions to Government, Pure-Pak talked only about packaging flavoured milk and fruit juice.

The agent for Tetra-Pak is AHI, whose monopoly on the glass milk bottles had been threatened by UEB's plans to introduce cartons.

Government delays with the Pure-Pak concept caused some

Continued on Page 2

Buccaneers air HUGH

by Warren Mayne

PIRATE FM broadcasters are delivering an ultimatum to Broadcasting Minister Hugh Templeton. If he doesn't give the go-ahead for FM radio by February 5, he can expect to hear pirate "Radio HUGH Templeton" broadcasting in his own Wellington electorate.

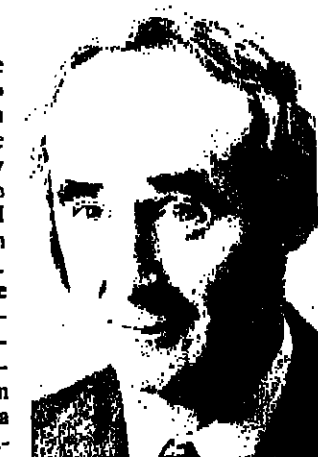
According to a clandestine group of Auckland radio enthusiasts further delay on introducing stereo radio will result in a pirate radio station operating in the capital within a week of the February 5 deadline.

That won't be the end of it, according to the new generation of radio buccaneers who have taken off this month in Auckland where the original pirate, Radio Hauraki, left off a decade ago.

At least five pirate FM stations will be scattered strategically through the North Island from next month, their illicit presence on the airwaves reminding listeners of the National Government's 1978 election promise to introduce FM radio.

February 5 is the anniversary of Templeton's decision a year ago to instruct the Broadcasting Tribunal to defer consideration of FM (frequency modulation) stations for 12 months.

His reasons were economic: the country could not afford the \$4.5 million needed to bring in the first stage of Radio New Zealand's \$25 million plan to introduce FM through two nation-wide state networks



Hugh Templeton ... FM ultimatum

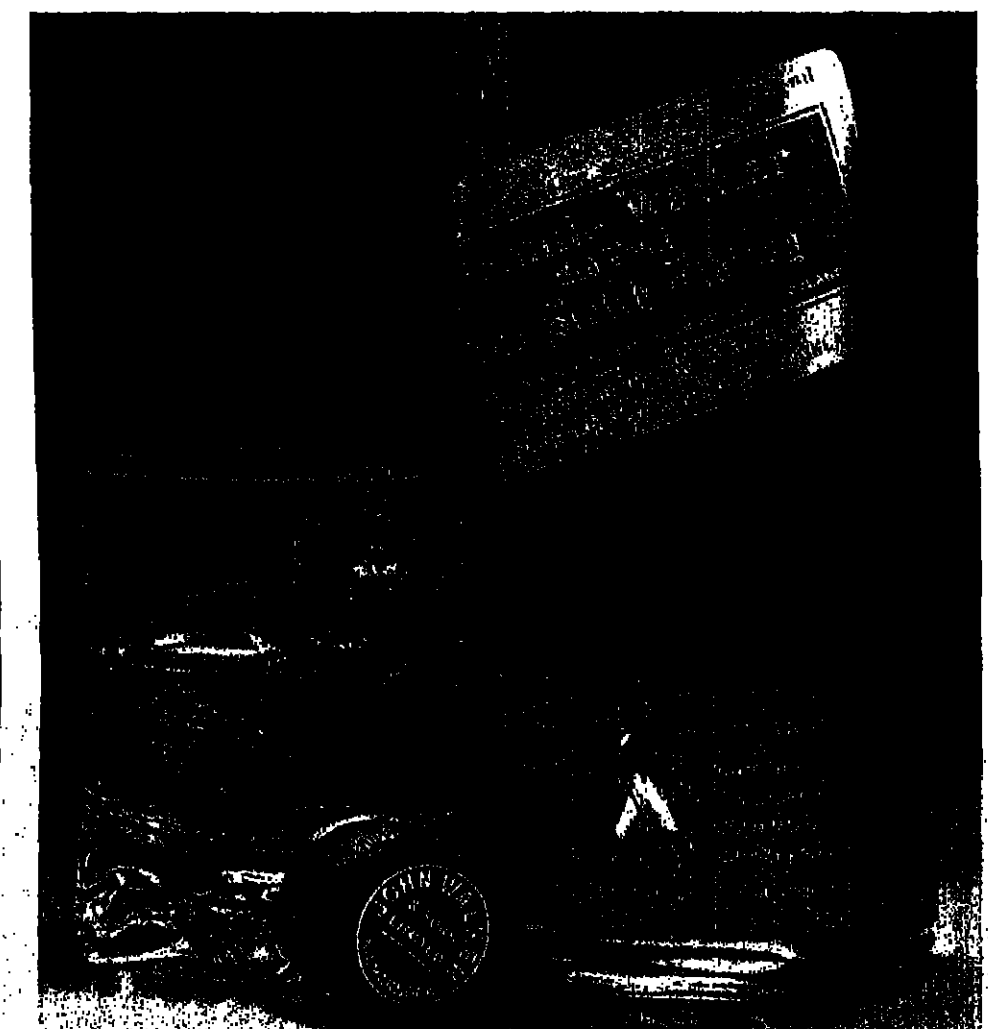
with similar saturation coverage to TV's Network One.

FM radio, broadcasting on the very high frequency band now being cleared by mobile-radio telephone users, such as police and taxi services, offers distortion-free, high-fidelity reception.

Most important, it offers stereophonic broadcasting. Existing private radio operators want the right to go ahead with FM stations independent of RNZ. They estimate their costs at \$350,000 a station.

New aspiring commercial FM operators, such as Auckland's FM Stereo Action, want a chance to apply for licences. So, too, do a myriad of community and special-interest groups, notably the university student stations, which recognise the potential for a

Continued on Page 5.



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The week

Gold flutters as dollar stutters

GOLD fluttered and the dollar stuttered as the United States agreed to thaw Iran's \$9 billion frozen assets in return for freeing the 52 American diplomatic hostages held in Tehran for 444 days. Trade sanctions by America and the token bans by Western Europe will be lifted.

RONALD Reagan rode into the White House on an \$8 million barge as the United States 41st president and promptly banned the employment of any more non military government employees.

THE Broadcasting Corporation's board will consider leasing morning viewing hours to private operators.

LIQUIGAS, the Shell-BP-Todd led consortium to market Maui Lpg is shopping for a pressurised coastal delivery

tanker. Estimates cost: \$10 million.

CABINET met last week, not the week before as this column suggested last week. Nevertheless, it dismissed Police Minister Ben Couch's suggestion to reintroduce the birch for violent criminals as suggested. Undaunted Couch is now trying to rally public support.

ANOTHER expected Cabinet decision was the effective deferment of the Danks report and its recommendations on the freedom of information. A Cabinet committee will study the recommendations and report at the end of the year, ie after the election.

THE Nation joined the long list of failed serious weekly news and current affairs magazines after only three months. Publisher Philip Harkness blamed a lack of advertising and low circulation for its rapid demise.

THE NZ Caribbean sailed from New Plymouth after an 11-

day pay relativity dispute was temporarily resolved with a promise by the Shipping Corporation to review relativity on all its ships in March.

AIR New Zealand was named as one of many airlines illegally discounting airfares in Australia to Qantas's dismay and loss. Airlines that live in glass-houses...

Economic indicators

MANUFACTURERS sales rose 16.2 per cent in the year to September 30 while purchases rose 6.6 per cent, wages 15.5 per cent, other operating expenses 20.4 per cent and gross capital expenditure by 30.3 per cent. Hours worked dropped 4 per cent.

OVERSEAS orders and payments placed by major importers - excluding oil - increased 12.9 per cent between

October and November at \$176 million. Private import payments are expected to average \$393 million for December, January and February and \$430 million a month for March, April and May.

The business week

Comaleo Ltd is pulling out of aluminium truck tanker production, selling its Brisbane subsidiary Highgate Engineers to Industrial Engineering Ltd.

Fibre-makers Ltd's loss of \$325,000 was blamed by ICI Australia for a \$400,000 drop in profits to \$6.9 million in the year to September 1980. Fibre-makers closed its Shannon and Wellington factories last year.

Fisher and Paykel Industries Ltd is swapping a 70 per cent stake in its subsidiary

Best-Wood Ltd for cash and 20 per cent of Henderson and Pollard Ltd who also acquired the Te Atatu factory of J Scott and Co Ltd.

Hawke's Bay Farmers' Cooperative Association will make a one for four cash issue at a premium of \$1.20. Full price \$2.2 a share raising \$2 million.

Hawkins Holdings Ltd issued 150,000 ordinary shares as part consideration for a 50 per cent interest in Whangarei short blast and industrial painter, Peter Van Der Heyden Ltd.

Holeproof Industries Ltd will complete its capital reconstruction buying small parcels of shares at \$2.50.

Humes Ltd is moving into the electronics industry, buying 62.5 per cent of Victoria-based Procom Electronics Pty Ltd for \$230,000. Procom manufactures communications equipment in Australia and Singapore.

International Harvester Co of NZ Ltd: profit for the year

ended October 31 rose 10.6 per cent to \$1,837,000 from sales of \$47.2 million, up 12.9 per cent.

L D Nathan is changing its balance date to August 31 and will now pay an interim dividend of 11.625 cents on March 1.

New Zealand Forest Products \$150 million expansion at Kileith has been delayed till industrial relations improve and a "sound understanding" is reached with the unions.

Rheem New Zealand Ltd: unaudited profits for the six months November 30 was \$501,000 (last year \$377,000). An interim dividend of 35 cents will be paid on February 18.

The week ahead

All week: International symposium on erosion and sediment in Pacific rim steep lands at the University of Canterbury.

Continued from Page 1.

of the company's big potential customers to turn to the Dairy Board and AHI for Tetra-Pack machines.

The Trade and Industry Department has obliged Pure-Pak to declare in writing that the machines would not be used to package white milk. Pure-Pak can police this because it prints all the cartons.

Milk producers are keen to package white milk in Pure-Pak, NBR understands, but are prevented by the undertaking with Trade and Industry.

The Dairy Board has been negotiating with the town milk industry, hoping through joint ventures to establish Tetra-Pack machines at Christchurch and Palmerston North.

Despite Government protection from Pure-Pak, home

delivery sales of milk have fallen off. Shop sales are increasing as milk prices have gone up after the reduction in the Government subsidy.

As milk prices increase, the financial risk of leaving money at the front gate for the milk bottle thief also increases.

The Dairy Board has distinct advantages over its private competitors. Among them is a per cent overdraft facility with the Reserve Bank while private companies pay 18 per cent or so for their money.

The caucus committee report on the milk industry last year recommended that the Milk Board be restructured to give the Dairy Board more control over the industry, taking the reins of power away from Government and local body representatives.

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The week

Airfare discounters face threat of criminal charges

AIRLINES operating in this country have been warned by the Government that criminal charges may be laid unless they act among themselves to stop illegal fare discounting.

The caution was sounded to a meeting of the Airline Industry Steering Committee in Auckland last Friday as commercial anarchy erupts in the travel industry.

Industry sources claim the Ministry of Transport has told the steering committee it should consider relationships among airlines and agencies, malpractices which have become rife, and whether greater responsibilities should be placed on agencies as well as airlines to comply with the law.

The ministry called for recommendations and for an account of the corrective action which airlines propose to take.

But industry sources say the ministry either:

- Regards the International Air Tariff Regulations of 1978 as probably insupportable in a court of law;
- Or it does not want to charge tariff offenders because the national carrier, Air New Zealand, might be involved.

The steering committee agreed to police discounting at its inaugural meeting two years ago. It had not met again until last Friday.

Several times last year ministry officials issued stern warnings that prosecutions would be filed if discounting

did not cease. Nothing happened.

It is known within the industry that evidence supporting an alleged breach of regulations by Air New Zealand was handed to the ministry either last year or in 1979. No action has been taken.

But most if not all, of the agents and airlines are illegally discounting in this country. The reason is an ineffective ministry and the pressure of competition as economic recession cuts passenger loadings on many routes and inflation erodes profits.

A member of the board of the Travel Agents' Association of New Zealand (TAANZ) reported last month that "the secretary for the ministry told me his department found it difficult to get involved in the complex matters of discounts or additional benefits and felt the best way to ensure an orderly market was to forbid advertising".

Advertising fares that have not been approved by the Government is illegal but blatant examples have appeared in newspapers and magazines in recent weeks.

The illegality of the advertisements appears to be open and shut but the ministry has taken no action.

A report last month to the TAANZ board said: "one of our members has referred me to Page 7 of Travellers' Europe where that brochure over the

Air New Zealand logo tells people how they can combine fares. This instruction is in complete violation of the MOT prohibitions dated May 12 1978 and confirmed again September 19 this year.

"What is the use of an organisation (TAANZ) that allows its members' credibility to the buying public to be ruined? If we accept the principle of an orderly market... then our members have every right to feel we are doing nothing because nothing gets done."

TAANZ has been offered legal advice that it "apply to the secretary of transport to have regulations revoked on the general grounds that any law which is not being observed to the degree that these regulations are ignored is bad law."

The roasting mouse ministry has fostered anarchy in the industry. Travel agents who basically favour an orderly market



Seats... airlines fight to fill them

have been seeking high discounts from airlines to compete because other agents blatantly advertise cut-price fares.

Airlines may legally provide agents with discounts of 9 per

cent. But troubled, loss-ridden airlines round the world are competing for passengers by providing agents who do big business with them with higher than legal discounts.

Discounts in this country are believed to be as high as 20 per cent.

The agent who gets tickets that cheaply can decide how much discount need be passed on to travellers.

In Australia, where competition is even fiercer, discounts are believed to be running as high as 30 per cent. The Department of Transport there has begun legal proceedings against several agents and airlines.

Because it would be relatively easy to investigate discounting where an airline simply did not take the full payment, the procedure generally is to issue the ticket at the normal discount and then pay

what is called an "over-ride" back to the agent.

The meeting of the Airline Industry Steering Committee on Friday was virtually demanded by the ministry in a last-ditch bid to have the airlines mend the error of their ways through consensus - an outcome which industry sources consider unlikely.

In an atmosphere of suspicion and intense competition, they say it would be difficult to persuade all operators to stop at once without guarantees that criminal prosecutions could follow continued malpractice.

Discounting in several forms has been going on for years in association with clubs such as The Link. But it has broken into the open only recently, as financially troubled airlines have started to fight for passengers even at fares that have low profit yield.

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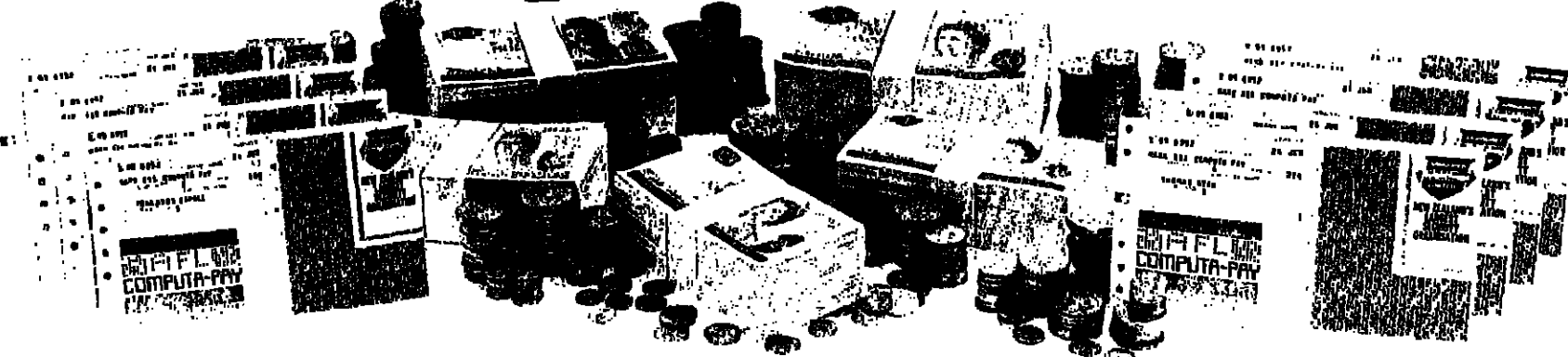
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Caucus recognises extent of unemployment

by Ann Taylor

LABOUR Minister Jim Bolger made clear last week the Government's recognition that the unemployment problem will loom large as an election issue.

He revealed that the Government was moving to "clarify the options" for employment policies by preparing a paper to clarify its approach.

Obviously sensitive to the sharp increase in unemployment since 1975, the Government has been switching on various mechanisms to get an accurate assessment of the situation on which to base future needs and projects.

Bolger has commissioned the independent Link Consultants to produce a booklet outlining the changing conditions for employment. The aim is to help the public to get a good understanding of the factors contributing to employment trends.

Link will also produce a research paper for the Minister based on its findings, which are required by March.

The Planning Council has already studied unemployment. Its report, *Towards an Active Employment Policy*, released in October, stimulated debate at the time among academics, journalists and public servants. But adoption of its recommendations remains to be seen.

The National Party caucus has been provided with yet another analysis, which makes evident that the Government is looking to projects like the controversial second aluminium smelter to provide the growth necessary in overseas

exchange earnings to stimulate employment.

The MPs were told that "something like 75 people are involved directly or indirectly in the production of a net million dollars worth of exports" and that 100 to 150 additional jobs are created by the ensuing internal economic activity.

According to the caucus paper - presented to MPs in December - the estimated \$150 million-a-year net overseas exchange earning from the proposed aluminium smelter and sheet casting plant would create 30,000 jobs, a figure

reached by multiplying 150 by 75 + 125 jobs, a total of 200 jobs per million dollars of net earnings.

The MPs were told that "estimates of net additions to the labour force after 1980 average out at around 25,000-26,000 each year through to 1991". Prime Minister Rob Muldoon's estimate in his Orewa address earlier this month was that 200,000 extra jobs (20,000 a year) were needed to absorb school-leavers during the decade.

Economic restraints ensuing from increases in oil prices and

the cost of labour were identified in the caucus papers as the roots of the unemployment problem.

Some trade union activity had placed a constraint on employment growth, according to the paper, which says "the cost and perceived inconvenience of labour makes, for example, more mechanisation an increasingly attractive alternative."

The unemployed are identified as typically young, inexperienced and unskilled. The MPs were told that 77 per cent of the unemployed are under

21; around 10 per cent of 18-year-olds in the labour force are unemployed; and Maoris constitute a disproportionate 20 per cent of the unemployed.

The removal of youth rates from many awards has been a factor that mitigates against their employment, the MPs were told.

The fluidity of the unemployed is not evident from the apparently static figures, but caucus was told that the "hard core" was only 7 per cent - a total of 3000 individuals.

This "hard core" was defined as those registered as

unemployed for more than six months. But in October, 36,099 people moved in to or out of the ranks of the unemployed.

"A similar pattern is evidenced by the issue and cancellation of the unemployment benefit," the caucus paper says.

"In the six months to September 1980, 88,000 new applications were received. Around 70,500 persons were granted the benefit with a further 18,300 (most because they found work before the benefit could be paid).

"Over the same period 60,700 were cancelled because of a return to work. The total of those on the benefit who found work in this period exceeded 75,000."

The discrepancy between the census figures and the registered unemployed was acknowledged, but on the basis that "if unemployment is a pressing economic problem for the individual... they will register as available for work". The register was considered "a relatively accurate record of unemployment".

The growth in demand for jobs was attributed to the youth bulge (caused by a baby boom between 1951 and 1962), increasing participation of women in the work force, and a difference of 5.6 per cent, or 30,238 fewer jobs available, since 1965.

Caucus was told that the skill shortage was evidenced by the difficulty in filling some positions, but "an annual growth of around 2 per cent in the jobs available, and a better matching of skills required, would provide a return to full employment".

FM buccaneers stay ahead of Govt inspectors

Continued from Page 1.

new waveband that will allow hosts of small low-powered "access" stations.

The established Wellington-based FM Broadcasting Action Committee is stepping up its lobbying for "legal" FM. But since Christmas the Auckland-based organisers of Radio HUGH Templeton and its sister enterprise, Radio 90.3 FM have been broadcasting illegally at weekends. Radio HUGH was the first to operate, saturating the Auckland area with stereo music and propaganda for legalising FM from a transmitter in the Waitakeres. But a close shave with Post Office radio inspectors - given the order from top level to sink the pirates - saw the buccaneers lowering sails and airdials for a while.

They knew there was a leak of information to the Post Of-

fice, Paul Barton, spokesman for the pirate radio operators, claims. But they found out who it was, and are ready to resume operations.

"The organisers instead brought on Radio 90.3 as a separate station and it has been broadcasting Saturdays and Sundays from noon to midnight," Barton said.

Radio 90.3, like the original HUGH, has been using a home-built 100w transmitter.

Barton said he was picking up perfect signals at his "monitoring station" 50km away, despite intervening hills.

But when the new HUGH returns to give FM buffs a choice of two stations from next weekend, it will be 10 times more powerful, with a 1kw transmitter.

"And that should be strong enough to cope with the go-

graphy of Wellington when or if it has to be brought south to give Templeton a taste of HUGH," said Barton, whose phone number is now openly advertised on 90.3.

"I'm not worried about the Post Office dropping by. This is only a monitoring station - the inspectors are quite welcome to sit down here and listen in," said Barton, having checked the legality of his coming out into the open.

"This is now outright war... if the Government doesn't follow Labour leader Bill Rowling in saying yes to FM, it'll be everywhere, letting anyone with an FM receiver hear the potential we're missing in this country."

"We have no connection with the action committee people - all we do is ring them up and tell them when we're

going to be on air. Nor are we anything to do with the two university Radio Auckland stations that broadcast last Easter."

The two latest pirate stations offer rock music - similar to Hauraki - on 90.3 and plan middle-of-the-road on the new HUGH.

Barton says about 20 people are involved. Their eventual aim, when FM is given the go-ahead, is to apply for a non-commercial, volunteer-run all-music warrant.

After their fright, just missing detection at their original Waitakere broadcast site with HUGH, the pirates have become more wary. Now the FM stations are mobile operations broadcasting from cars that shift location every 45 minutes or so, necessitating a few minutes closedown and a "stay tuned here" message every 45 minutes through the 12-hour transmissions.

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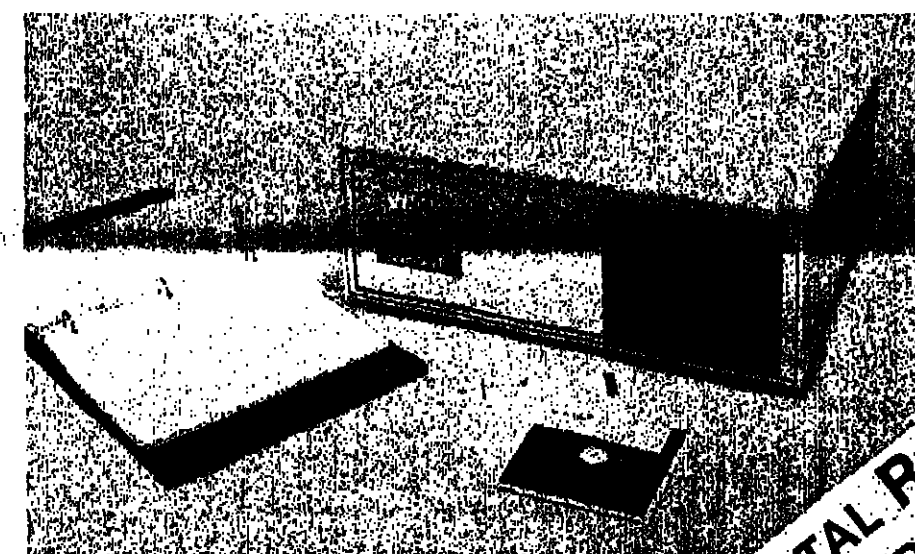
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Comment

Editorial

WHEN the number of people unemployed or without permanent work had climbed to a post-Depression record of more than 65,000 just before Christmas, Labour Minister Jim Bolger described the figures as "unreal". A number of seasonal or unusual factors contributed to that figure, he insisted, and he expressed confidence that by the end of the school holiday period the situation would have greatly improved. The student programme would have got into gear by then and the Government's mini-budget employment creation incentives would be taking effect. Last week, he swung on to a more positive tack in acknowledging the widespread concern in the community about employment issues, particularly the level of unemployment.

He shared this concern and welcomed the increasing debate, he said, but it was important the debate was well informed and constructive.

Bolger announced that the Government was moving to "clarify the options" for employment policies by having a paper prepared to explain more clearly its approach to the development of an employment policy. He was confident the report would show a willingness by the Government to consider new and imaginative approaches.

Thus the Government recognises that

unemployment will be a key issue for voters at this year's election, and its concern to clarify its position follows the Opposition's announcement that a Labour Government would guarantee jobs for all school-leavers for the first five years of their working lives. Labour says we should concentrate on small businesses to create more jobs in a policy package that promises the abolition of the dole, a guarantee of either employment or training for the first five years of a young person's working life and a comprehensive partnership between the public and private sectors in job development.

Rowling says 300,000 jobs will be needed. But in his annual address to Orewa Rotarians, Prime Minister Rob Muldoon said that to accommodate school-leavers coming into the labour force and those coming out of tertiary education, "we will need during the 1980s an average of over 20,000 more jobs a year." The Government's hopes rest on big energy-based industries as a major aspect of its "forward policies" to provide jobs for our young people.

The Government perceives its solutions to be based on policies aimed at tackling the real cause of unemployment, the country's inability to earn sufficient overseas income, and Labour's as short-term solutions on a subsidised make-work approach. Thus it will

want to criticise the Labour programme as one which will impose a policy that results in higher employment, regardless of the cost to taxpayers and to individual employers. By abolishing the "sinking lid" policy, for example, Labour would reverse the effects of the Government's efforts to curb the growth of the bureaucracy.

There seems to be general agreement on the need to create at least 20,000 jobs a year to satisfy employment needs during the decade. But as each party strives to persuade public opinion in favour of its particular cure-all — and let's not forget the past spurious promises of each to remedy our inflation problems — there is a danger that the rhetoric will run away from the reality.

Figures presented in December to the National caucus, for example, spell out 11,250 jobs resulting directly from the second smelter. The highest figure anyone had banded about publicly was 1000 jobs created directly by the smelter and, including linkages, the most optimistic Government assessment made public to date had not gone above 4000. Thus the figures prepared for the caucus appear optimistically high, and the public is susceptible in an election year to seize eagerly on such optimism only to have its expectations dashed in the longer term. Certainly, a major consideration is that none

of the "think big" projects will have any real effect for the next five years, when the weak economy might well have picked up.

The Government's anxiety to move on the offensive and undermine criticism of its policies is understandable. But to make an effective contribution to the debate, a paper being prepared for Bolger should be aimed at giving an honest assessment of a situation; ideally, it should be a thorough research project which provides us with arguments for and against a number of development options that will create jobs. The exercise will be worthless if it is designed merely to justify the Government's policy. And as a party purportedly advancing a cause of private enterprise, National should be conscious that — if those policies are effective — it will be obliged to provide more interventionist, state-funded solutions such as those that abounded in the mini-budget.

In the meantime, Bolger should mull a plethora of policy profiles might stanch debate. It does nothing immediately to levitate the problem. And there will be significant number of unemployed people casting votes this year.

Bob Bie

Without word of a lie

Secrecy shrouds reform

THE civil-servant-dominated Danks Committee has concluded its secret study of official secrecy and sent its recommendations for secret consideration by a Cabinet committee.

The Danks Committee has been pondering the question of the public's right to know what its government is doing and why since it was set up in May 1978. Its existence has allowed the Government to stall on the freedom of information question for two years and the Cabinet committee should delay effective reform of the Official Secrets Act for another year at least.

Like Ben Franklin said: "Three men can keep a secret if two of them are dead."

Chances are that at least some of those who initiated the freedom of information debate will be dead and buried long before the first ray of sunlight penetrates the corridors of power.

Precedents, by George!

THE Prime Minister has been objecting that party officials should not challenge sitting MPs.

In addition, in *Truth* last week, he complained bitterly about Martin Gummer, former Young Nationals dominion chairman, who is not only challenging MP John Elliott for the Whangarei nomination but has dared to suggest that Duncan MacIntyre would be the wrong choice as Deputy Leader.

Well, back in 1960, according to George Chapman's book, *Years of Lightning*, the sitting MP in Hawke's Bay, Cyril Harker, was challenged by one Ned Holt, then chairman of the electorate and later dominion president.

Holt was not alone in the challenge. Also in the hunt was a Young Turk by the name of Duncan MacIntyre.

That year, too, a brash young man stood successfully for the Tamaki nomination, declining to defer to a former minister, Wilf Fortune, who had also put his name forward. That brash young man's name: Robert Muldoon.

A bit of 'armless fun'

HERE'S a way to combine a bit of business with a bit of... pleasure.

For \$7000 you can get into the adult bookshop business, reports the Aussie-based *Franchise Review*, a publication on the franchising game



Brockie's view

produced by the International Franchising organisation.

"Venus Enterprises Pty Ltd, of Sydney, has advertised a 'franchise' arrangement whereby prospective porn purveyors can use the name Venus, attend a training course in a Venus shop and, if they survive, obtain the privilege of spending another five grand on stock, rent and, no doubt, other devices," we learn.

"The 'franchise' receives a catalogue detailing all sources of sex goods in Australia, and one is led to speculate as to whether they are also given a list of those who deliver the goods!

"According to Venus, business is seasonal, with Easter Saturday and Christmas being peak periods.

"Now you know (a) what to give Mum for Christmas and (b) the true meaning of Easter."

Brief export effort

ALWAYS keen to help out with the export drive, the Development Finance Corporation has been encouraging exporters to buy and use briefcase-sized audio-visual projectors.

It's a brilliant way to sell the customer on your product, the DFC argues.

So hooked on the idea was the DFC that it bought its own audio-visual unit in Singapore for \$900. When the DFC man arrived at Auckland airport, Customs wouldn't let in his projector — an import licence was needed.

Customs finally relented on the import licence but wanted to charge \$600 duty for the \$900 machine.

Rather than pay the duty, the DFC will export the projector back to Singapore.

Greener pastures?

ONE Marton farmer has turned his back on bleatings about the unemployed.

Short of a farmhand for the extended lamb period, he tried to find someone to help out with the not-too-onerous tasks around the place. But, not even the local Labour Department could help, although the farmer made approaches over a number of weeks.

Working conditions were excellent, we good, but apparently employment prospects in Marton area are well above the national average.

There was not a single inquiry about the position.

A schoolgirl was finally hired to do some of the lighter tasks, but the mystified farmer was wondering: where have all the workers gone?

Comment

Why Labour's shadow cabinet was a flop

by Ray Lilley

FAILURE at the top and division in the ranks. That must be the verdict handed down on Labour's gone-wrong "shadow cabinet" which Bill Rowling will despatch into the dustbin at the first caucus meeting of the year.

His demise signals a failed experiment for the Labour leader, who set out to give his parliamentary team a biting edge when he introduced it 14 months ago.

Instead of sharpening the parliamentary Labour Party's attack on the Government, it became a toothless wonder and eventually the butt for snide National comment — which stung.

Now Rowling can be expected to go back to the old, broad-sweep "spokesmanship" system of earlier days, which was also used by the Nats in opposition.

For National, the spokesmanship system worked to unify the rag-tag caucus of 1974, while allowing Rob Muldoon to develop his "front-line team". It was a shadow cabinet, in effect, without the form given it by Labour. And it had the effect of identifying in the public mind the men who would go on to become the core of the first Muldoon cabinet.

Who can forget Frank "sharp as a knife" Gill (Health spokesman); George "midnight oil burner" Gair (energy); Lance "terrier" Adams-Schneider (trade and industry)?

In turn, who can recall Labour's shadow minister of Labour (Kerry Burke), shadow minister of transport (Ron Bailey, till he was replaced by Fraser Colman), shadow minister of economic development (Bob Tizard), or foreign affairs (Arthur Faulkner)? (We supplied the names to fill in what might otherwise be a total blank in readers' minds!)

For Labour, the shadow cabinet concept has worked to divide further a caucus already rent with dissension.

The scrapping of Rowling's malfunctioned shadow cabinet can only confirm that it has further divided his team into insiders and outsiders, creating bitterness and tension not needed by Labour as its public standing has plummeted. It will also mark a personal failure for Rowling, who proposed the structure, and gave himself the elbow room to promote the group he believed would be the nucleus of any Labour cabinet.

He was also trying to inject incentive to work into his MPs, so they could strive for a shadow cabinet place. And the shadow cabinet was designed to project its members into greater public prominence.

None of those aims was fulfilled. Instead of capturing the public imagination, the shadow cabinet degenerated into a minor talk-shop, sandwiched into less than an hour and a half once a fortnight, often with key members away on other business.

In media terms, it generated no good information. Indeed, it was over-shadowed at its birth by the abrupt withdrawal from its ranks of Auckland Central MP Richard Prebble.

In a burst of petulance, Prebble rejected the environment/small town development portfolio allotted him. He had his eyes on the justice



David Caygill... among the bright young men

spokesmanship allocated to deputy leader and fellow-lawyer David Lang.

Another, Island Bay MP and QC Frank O'Flynn, was probably the best man for the job — but dipped out when Lange demanded the job as a post-betting his party standing.

The set-back caused by Prebble's defection was never recouped by the shadow cabinet.

A further major blow was dealt with the on-the-spot sacking of stormy petrel Roger Douglas because of his alternative budget, released without the knowledge or approval of his leader or the shadow cabinet.

Many believe that Rowling's hot-headed reaction was the single most important nail in the shadow ministry's coffin. It demonstrated the gulf inside the Labour top team, the lack of consultation and of political direction from the top.

Rowling argued that Douglas had completely flouted his leader's authority, produced an economic statement right outside standing Labour policy and rejected the doctrine of collective responsibility.

To the backbench dissidents whom he now joined, Douglas was an immediate hero. His sacking became the fulcrum with which leverage against the shadow cabinet was applied.

Among the best Labour MPs, Douglas under proper direction and properly used must be an indispensable part of a Labour ministry. Out in the cold he became a focus for dissent. And his removal helped swing the balance of talent away from the ranks of the shadow cabinet.

For the balance of the 1980 session of Parliament, what initiatives Labour took in the House itself came from outside the shadow cabinet. New boy Geoff Palmer masterminded Labour's attack in the marginal lands board controversy. The *Herald* record makes that all too plain.

The on-going transport rows saw backbencher John Kirk scoring more political mileage than either of the shadow ministers of transport.

Even Waitakere's Ralph Maxwell scored better in some energy debates than on-again, off-again shadow minister Bob Tizard.

Political jealousies helped to unmake the "team" that Rowling had been so keen to foster.



Roger Douglas... became focus for dissent

The political strategy committee in the parliamentary party during one period was determined not to allow Lange to bulk large in the House.

The brilliant, though tactically weak, Mungere MP's tough debating style was left languishing on the front bench.

Yaldhurst MP Mick Connelly, personally convinced of his own economic strategy ability, neglected his police role.

Eddie Isbey carried much of the Labour portfolio lead from outside the shadow "team", while former teacher Kerry Burke gave little thrust to the industrial relations job. This writer remembers one excellent statement by Burke during the Kinleith debacle, and little else. Others simply marked him down as a failure.

It is easy to argue that with some of the best talent among Labour MPs outside the shadow cabinet, harbouring personal jealousies, and with the overlapping jurisdiction of Rowling's shadow ministers and their caucus committee "convenors", the whole shooting box was bound to eventually fall apart. But that ignores the cri-

tical differences over policy and direction which have bedevilled Labour for the past year.

The in-fighting over economic and development policies within the caucus highlighted the internal tensions between the old heads of people like Tizard and the bright young men like economic committee convenor David Caygill and others, determined to oppose Tizard's smelter development and "anti-greeny" stance.

Rowling summed it all up with his usual under-statement: "The shadow cabinet has been a disappointment to me, and I think it has been a disappointment to my colleagues."

Blame for several of the failures must be laid directly at his door. He failed to resolve the policy differences within his caucus. He failed to capitalise on the strengths of some MPs in the shadow cabinet, while alienating others.

His greatest failing was in the area of political strategy. Instead of doing a Muldoon and leading from the front, taking the fight straight to the Government, he was often either absent (on party business elsewhere) or simply failed to recognise the opportunity being presented.

But, like Muldoon, he also failed to bridge the generation gap in his caucus, leaving the young and the restless with little direction.

Rowling finally was let down badly by the hickering and disaffection around him. And by the fact that his leadership in 1980 didn't inspire his caucus colleagues to do the sort of political work needed to win public confidence.

Dumping the shadow cabinet will not resolve any of these issues. It is the action of a man caught between warring factions, unable to strongly promote a common cause which could bring unity.

If the hope of winning the election can't do it — nothing will.

Ray Lilley was formerly head of the private radio stations' parliamentary bureau and will be taking up the position of Radio New Zealand's assistant editor in charge of all commercial network news.

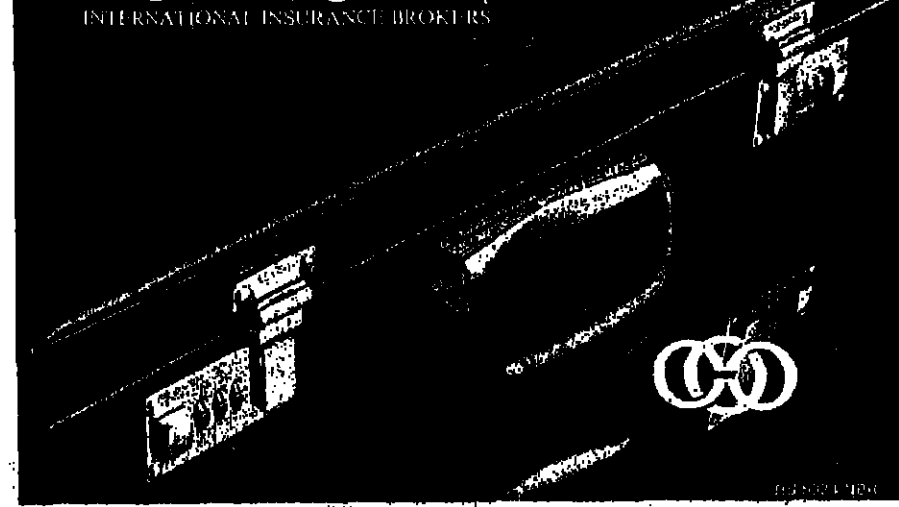
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Letters

No claims to fame

IN a recent letter to *The Northern Advocate*, the Socred candidate for Kaipara, Merv McConachy, made the claim that Socred in British Columbia has brought good government and financial stability to the state. However, once one starts examining the record of British Columbia one is led to doubt the assertions made by McConachy and other Socred candidates who make claims about Socred success in Canada.

An analysis of Socred writings produces an interesting conflict within Social Credit ranks on the effectiveness of Socred policies in Canada.

Peter Edmonds — Social Credit spokesman for Central North Island (*Tribune* August 25 1979) made the statement that: "The New Zealand Social Credit Political League disassociates itself from claims that British Columbia and Alberta are examples of the success of

the policies to which the New Zealand Political League subscribes... There are no examples of the success of the policies of the New Zealand Social Credit Political League to be found in any other part of the world."

Historically the claim that Socred still exists as an A + B theorem party is pure nonsense as the original Socred party was wiped out in the national elections of February 1980 and its place taken by an opportunist coalition of the liberal and conservative parties with the remains of the Social Credit party. However, the Socred party persists in repeating the claim that Socred still exists in Canada and bases its claims on spurious evidence.

The so-called Socred Party has not had a happy political life, being beset by allegations of dirty tricks, gerrymandering, secret campaign funds, phony letter writing campaigns, interference in the justice system and covered up government inquiries in to all of the above. To claim political integrity and

honesty as a basis of Socred politics in Canada also appears to be as spurious as their claims that Socred exists.

Edmonds' renouncing of any claim that Socred exists in Canada is conveniently ignored by Socred spokesmen in New Zealand.

Any examination of British Columbia's economy produces an excellent series of refutations of claims by the local Social Crediters that Socred works.

Investment in British Columbia has dropped from 5.5 per cent per year to 3.6 per cent per year. The decline in investment has brought with it increased unemployment, currently running at 9.4 per cent and a decline in job creation. The national development plan created 43,000 new jobs a year but now under Socred, job creation has dropped to 28,000 jobs a year.

A high unemployment rate coupled with low investment and low job creation has meant that British Columbia's econ-

omic growth has slumped from 6 per cent per year to under 3.5 per cent with a "Socred" government.

As one proceeds through an examination of British Columbia in politics and economic development it becomes more and more obvious that Socred here is basing its entire campaign on political dishonesty and distortion of evidence readily available from Statistics Canada and the Department of Finance in British Columbia. In fact the more one examines Socred in Canada the more it becomes similar to the New Zealand National Party in its politics and economic "planning" and performance.

Under Socred in British Columbia the tax burden on the individual has increased by more than 50 per cent from an approximate \$950 per employee to more than \$1500 per employee. Like the Muldoon Government here Socred in Canada has whipped the worker with increased tax and costs.

An interesting comparison can be made when one examines Socred performance on jobs. Since February 1976 more than 35 major firms have been closed down causing a job loss record that even Robert David Muldoon would be envious of. British Columbian firms have also been hocked off to foreign concerns willy nilly.

Social Credit here claims that Socred policies will not produce government overruns and claims that Government overruns in British Columbia are the result of N D P policies but the biggest overruns in government budgets ever recorded in British Columbia — \$215 million in one year — have occurred under Social Credit.

The more one examines Social Credit claims and policy statements, the more it becomes obvious that Social Credit is basically a party of political opportunists, distorters of historical and economic facts using selective vision which ignores any obvious failures or disappearance of Social Credit policies in Canada to provide spurious "evidence" for their claim for political acceptance here.

Probably the only truthful "Socred" has been Edmonds who renounced claims that British Columbia and Alberta are examples of successful Socred policies. For a political party claiming a "lily white" image of political honesty one is led to seriously doubt the honesty of the New Zealand Social Credit Political League.

For a political party which claims a "religious monopoly" on policies that work, an examination of Socred in action certainly proves that claim to be spurious in the extreme.

Alan Pappin
Whangarei

The quality of tourism

A SHORT time ago I read that Australian tourist numbers to New Zealand had fallen by 12 per cent, reversing a past growth tendency. It seems pertinent to ask why this should have occurred when conditions in that country continue to be prosperous.

Much prominence has been given by the Government to the employment advantages of a second aluminium smelter, but tourism can earn more foreign exchange, provide more employment and at a lower cost.

The tourist industry earns foreign exchange not only through the services provided by the hotels but through the earnings of the transport industry, through sales by tourist shops, and it helps the languishing building industry through the construction of new hotels.

Australia can be an uncomfortable place to reside in during the hot summer months and, during the winter there is better skiing available in New Zealand but hardly for those

who like to enjoy their winter sports in comfort.

New Zealand is adjacent to Australia, and provides beautiful scenery, a temperate climate and Maori cultural activities.

Some explanation must be found as to why our tourist trade has fallen off instead of being a growth industry.

The obvious explanation is the high cost of travelling across the Tasman, and the lack of competition on the route.

There are other reasons, however, which are more compelling, the lack of high-class tourist accommodation, and the failure to provide evening entertainment being the main ones.

I have just returned from a week's holiday at Coronado Peninsula. This area has beautiful beaches, beautiful scenery and a mild sun climate most of the year.

There are a number of well appointed motels, but none provide any room service, and one only made the concession of sending a meal to one's room, if it was ordered early in the day. The holiday-maker therefore has to buy his own food, cook his own meal, clean his own room and make his own bed.

This kind of accommodation may be fine for New Zealand families having a budget annual holiday but it will not appeal to overseas visitors, who expect and obtain better things elsewhere.

To make matters more difficult for those who are prepared to cook their own meals, when on holiday the variety of food available in the local shops is limited. There is no delicatessen, and in the town of Coronado there is no where you can buy fish "if you want some fish you can go and catch them yourself" is the answer.

As far as I could discover, all the shops in Coronado and Whitianga are closed on Saturdays and Sundays except for two dairies, so that a stranger arriving at the weekend, could have difficulty in obtaining food.

Government tourist office overseas feature beautiful photographs of New Zealand but the overseas tourist is likely to be very disappointed with the standard of accommodation offered, unless his keenness of fishing or climbing compensates him for the inconvenience, he finds the place boring and does not return for a second visit.

At one time the Government erected a number of public hotels, which provided varying qualities of service, but this policy has apparently been abandoned in favour of private enterprise, which either lacks the resources or is unwilling to take the risk of opening hotels in tourist areas.

Wake up New Zealand.

Sir Jack Harris
Wellington

Politics

Unfinished business piles up for Government

by Colin James

THE GGS seems to have lost his touch a bit recently. The master-politician, the master-tactician with his finger on the pulse of the ordinary bloke, seems to have been getting some wrong readings.

I should perhaps explain that GGS stands for Great and Glorious Strategist, the nickname a nest of irreverent Nais have given the Prime Minister. It used to be GGL — Great and Glorious Leader — but was changed after he claimed last year to be the party's No 1 strategist.

Not everyone agreed instantly at the time with this self-conferred accolade.

But some would be happy — nay, delighted — were it to be his strategy that ruled untrammelled to the election. Mischievous Social Crediters were last week telling me that their Government's first act would not be to overturn the tables of the temple's moneychangers, but to erect a statue to the Prime Minister bearing the simple legend, "Thank You".

Since he brushed aside the October conspiracy with derisive ease he has become more aggressive.

Others brought face to face with open revolt might have been expected to engage in a measure of introspection and self-criticism. The Prime Minister seems to have acquired a self-righteous infallibility that he parades with some vigour.

These are stressful times for any politician and his response seems to be to raise his general level of pugnacity.

Take the case of the hapless Martin Gummer, former Young Nationals chairman and current dominion councillor, who is challenging sitting National MP John Elliott for the nomination in Whangarei.

The Prime Minister said the party officials should get in behind MPs. Challenging them could lead to a deterioration in relationships between the party and the parliamentary team.

At one level the Prime Minister's interference may help the cause of co-challenger John Banks, self-made Auckland restaurateur and candidate in Roskill in 1978 though that is by no means certain.

Conspicuously, and you may draw your own conclusions from this, the Prime Minister has refrained from attacking Banks' candidacy.

For various reasons too delicate to go into here, it is widely felt in the party that reelection of Elliott, the Prime Minister's first preference, is not on.

Putting heat on Gummer may well discourage any thoughts of immediate resignation by Elliott — with the attendant discomfort of an unwinnable by-election.

So far, so good. Some fairly neat tactical footwork, even if a bit more public than is usual for the National Party.

But in *Truth*, the Prime Minister came at Gummer from another angle. In what can only be a reference to the Whangarei business, he wrote about "an ambitious young opportunist who, having shown considerable disloyalty to the National Party while holding office in the Young Nationals, is now seeking to replace a sitting National member who has

had a series of personal difficulties during the last year or so."

In my experience Gummer is a mild-mannered, young lawyer who combines a certain preciosity with a measure of audacity. His "disloyalty" amounts to forceful restatements of National Party commitments to private enterprise, competition and civil rights.

His crime is to have publicly opposed the elevation of Duncan MacIntyre as Deputy Leader, a cause dearer to the Prime Minister's heart and more essential to his sense of invincibility than Elliott.

The *Truth* article reads like a campaign leaflet for MacIntyre, recalling his war record, his integrity and his administrative achievements. That he had felt it necessary to indicate the Prime Minister's tactical failure.

My best information is that he could have had MacIntyre, with relatively little fuss, if he had taken things quietly. Instead he went loudly public with his endorsement of MacIntyre and scornful claims that the young pretender, Derek Quigley, could muster only six or seven votes.

That got MPs' and party members' backs up and ended in the Prime Minister's rout at the December 11 caucus meeting which he had claimed would decide the issue but which left him no option but to propose postponement of the issue.

One school of thought argues that this carry-on was all a ploy to improve his chances of getting a middle-road candidate like Bill Birch or Jim Bolger and so head off Quigley. Stir them up with MacIntyre, so they will be relieved to get one of the others is this school's view of the Prime Minister's motives.

I prefer the view that he genuinely wanted MacIntyre — who would make a loyal deputy in the more traditional mould of Sir Keith Holyoake (1950s) and Jack Marshall (1960s).

And I understand party strategists were prepared to help him, for a variety of reasons, among them the maintenance of the innocence of the new breed and — a positive point for 1981 — some semblance of unity at the top.

It is extremely unlikely that the Prime Minister and Quigley could be sold as a united pair after Quigley's relentlessly independent stance during the leadership crisis in October and his well-staked-out differences over policy.

Revelations that the Prime Minister had suggested Quigley resign if he continued down that track, together with private comments that he would like to get rid of the irritant, led to the amazing slanging match in the week of that fateful December caucus — and another brief round 10 days ago.

The division runs deep. Despite the clearest of leads from the Prime Minister on the matter, it appears that party opinion has over the summer break been favouring Quigley (with a write-in by a wistful liberal minority for an as-yet unavailable George Gair).

How the MPs will respond to this throwing down of the gauntlet is next week's \$64 question. There have been reports that Bolger has been making ground and that some MPs want Talboys to stay.



Derek Quigley... relentlessly independent stance

But one can readily understand the appeal of the MacIntyre solution.

- No immediate decision needs to be made on the heir to the throne.
- It gives more time for Quigley and Bolger and Birch to develop greater political maturity.
- For the older guard, it holds off the jacks a bit longer.
- For the new breed, it relieves them of responsibility for a possible election debacle.

Beyond these are the restructuring challenges posed by the new economic relationship with Australia and the Industries Development Commission reports now stacking up.

The Government may therefore be caught between a free enterprise Scylla and an unemployment Charybdis. And some tough decisions loom on the issues of tax reform, which is one of the principal causes of current electoral dissatisfaction.

But looming over everything are the unions, who last year outpointed the Government at every turn. Curbing the unions was the issue that most excited National voters and those who deserted National for Social Credit in Rangitikei in 1978. And that is probably symptomatic of the deeper social unease I described last week.

"Think Big" is not enough and may be plain wrong. Winning outright this year is going to take some real political wizardry, in strategy, in choice of deputy, in decision-making. Or luck.

One school of thought argues that this carry-on was all a ploy to improve his chances of getting a middle-road candidate like Bill Birch or Jim Bolger and so head off Quigley. Stir them up with MacIntyre, so they will be relieved to get one of the others is this school's view of the Prime Minister's motives.

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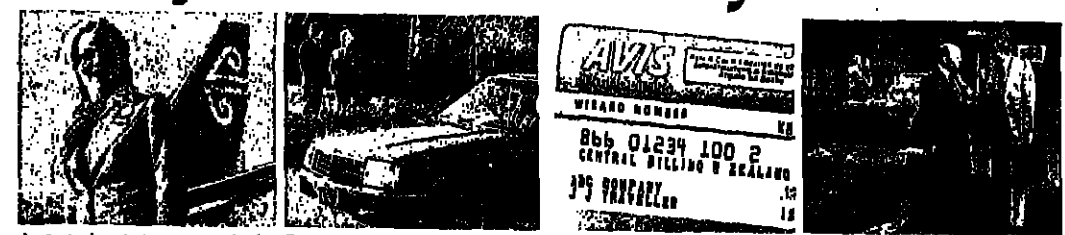
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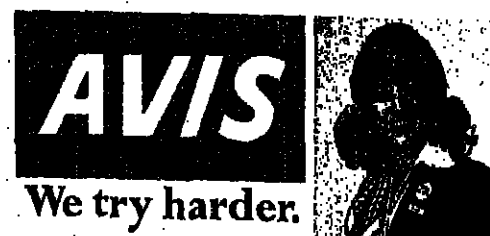


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Economics

Statistics fuel debate for total tax reform

Economics Correspondent
TAX cuts instead of wage increases — that is the wage bargaining principle Prime Minister Rob Muldoon would like to pursue. So he said at Orewa earlier this month in his "state of the nation" address.

A Statistics Department paper published before Christmas presents background data that could be applied to analyse this principle. In *The effect of increases in nominal incomes on personal income tax rates*, Len Cook and Tony Broad design a set of statistical measures to describe how high rates of inflation interact with the existing income tax structure. A shorter version of this paper appeared in the

November 1980 issue of *Quarterly Predictions* (NZIER).

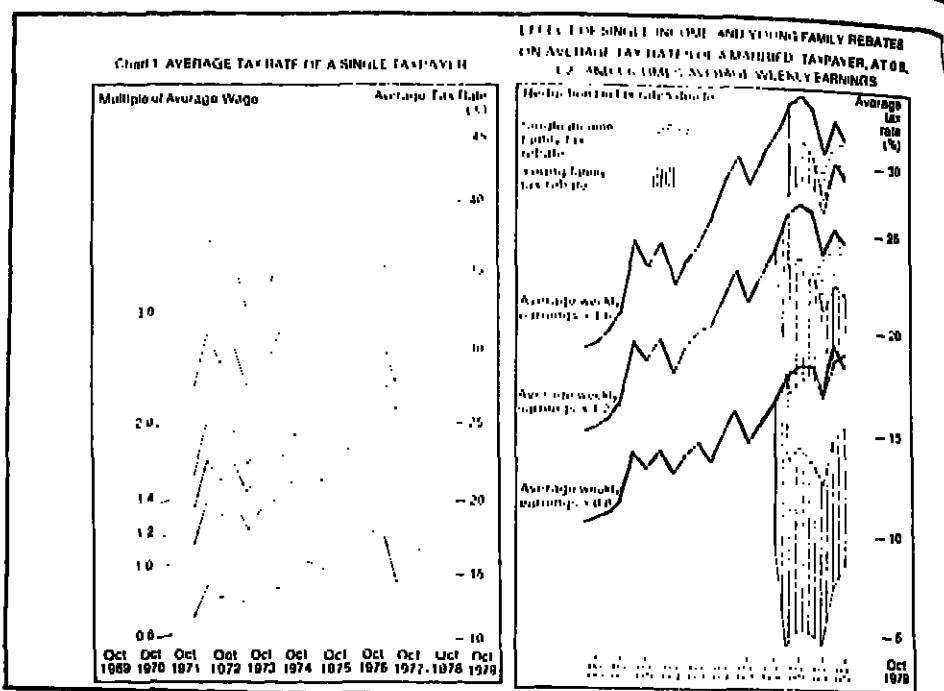
Cook and Broad found that fiscal drag for the combined salary and wage incomes of the total population was 1.3 at May 1980. "This means that for every 1 per cent increase in prices, gross incomes need to rise by 1.3 per cent to maintain the purchasing power of after-tax income in aggregate."

Fiscal drag is the consequence of the interaction between rising wages and a progressive tax scale. Given a fixed progressive tax scale (where tax rates are set for income steps, rising at higher income levels), an increase in earnings results in an increase

in the proportion of income absorbed into taxation. Earners' net (after-tax) earnings grow at a slower rate than their gross (pre-tax) earnings.

During the 1970s, fiscal drag became familiar because it had a noticeable effect on earnings as inflation rates rose above 10 per cent. Advocates for less government intervention worried that fiscal drag meant tax revenues usually more than kept pace with inflation, making it too easy for governments to finance mushrooming public services.

The effect of fiscal drag in an inflationary environment is to cause rapid increases in average tax rates. Chart 1 illustrates the average tax rates paid by



selected taxpayers with no rebates over the decade from October 1969 to October 1979. The trend was for average tax rates to rise, although they did not rise continuously because of changes to the tax structure over that period.

Average tax rates in the chart are calculated for multiples of the average wage (recorded at the left-hand edge of each trend line) ranging from 60 per cent to three times the average weekly wage. For the average single income earner, the average tax rate rose from 15.5 per cent in October 1969 to 24.1 per cent in October 1979. This means average taxpayers were paying greater than 55 per cent more in tax on each \$100 in 1979 than they were paying 10 years earlier.

The growth in average tax rates has not been uniform. For the single income earner getting 1.4 times the average wage, the average tax rate rose from around 20 per cent to 29 per cent. Or in other words, earners at this level paid 44 per cent more in tax on each \$100 than in October 1969. Those on three times the average wage paid 35 per cent more on each \$100 of earnings in October 1979 than 10 years earlier.

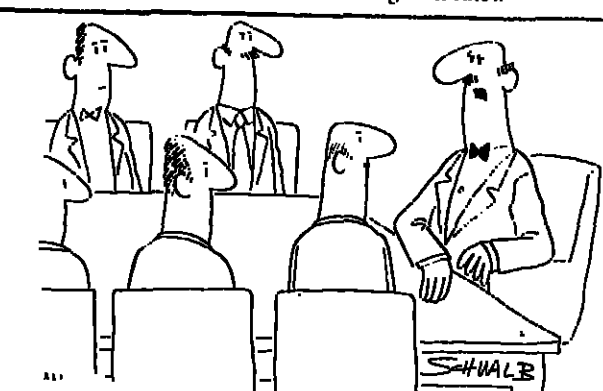
These examples suggest fiscal drag could have a major influence on the distribution of

income. When the system of rebates, exemptions and tax allowances, as well as the family benefit, is taken into account, the effect of fiscal drag on individual taxpayers becomes even more mixed.

In Chart 2, Cook and Broad take just two rebates available to a single income earner with a family: the single income family tax rebate introduced in the 1977 Budget; and the young family rebate introduced in October 1976. The single income family rebate is available to earners with a dependent child under 12 years and whose spouses earn a low or no income. The young family rebate provides taxation relief for young families where the head of the family is at the lower end of the income scale.

These rebates have offset the effect of fiscal drag on the tax structure, reducing the average tax rates of eligible taxpayers. The average tax rate of a single earner on 80 per cent of the average wage without a family was nearly 20 per cent. But if the same taxpayers qualified for a young family rebate, the average tax rate was around 14 per cent.

But as Chart 2 shows, the values of these rebates are eroded by inflation, diminishing the extent rebates reduce average tax rates.



While inflation has brought fiscal drag into prominence, movements in average tax rates are not simply the result of inflation. Cook and Broad identify three separate causes of changes in average tax rates.

Over a period there will be real income shifts where earners move into higher tax brackets because they shift into better paid positions. Also, there are frequent modifications to the tax structure, which may raise average tax rates for some and lower them for others.

And there is the familiar effect on average tax rates caused when earners get cost of living adjustments intended to keep pace with inflation, but which usually have the effect of simply raising average tax rates.

Cook and Broad derive a real disposable income maintenance ratio (RDIM) which measures the rate different incomes needed to rise in order to keep average tax rates the same at May 1980. They took into account the existing marginal and average tax rates, as well as selecting some of the available rebates.

What they found was that across-the-board rise in wages would not insure that all earners overcame the fiscal drag in the tax system. Those taxpayers with higher incomes generally need higher wage increases to counter the tax effects.

Taxpayers eligible for rebates are the worst off because as they move into higher income brackets, their marginal tax rate will rise at both the real worth of the rebates declines and eligibility for it is reduced.

Since fiscal drag is shown to affect the apparent worth of any wage increase, the obvious question is whether this effect is taken into account in wage claims. Bob Buckle of the New Zealand Institute of Economic Research examined this issue finding that "discreet reductions in tax rates are taken into account by wage setters, but the effect of fiscal drag is not."

It appears that most wage and salary earners assume that while taxes were onerous, inflation is the major factor eating into their living standards. And when the Government adjusts the tax scale to lower the degree of fiscal drag, many believe their taxes are really being cut.

And so it is that the Prime Minister can promise tax cuts instead of wage increases. But wage earners take the time to inform themselves about the extent to which fiscal drag makes it possible to give away something for nothing. Muldoon may find he has opened up a can of worms.

Marketing

The multinational product transplant operation

by Grev Wiggs

MULTI-national companies have the resources to spend sufficient money in research to establish consumers' product needs, sufficient money in R and D to develop high-grade products to satisfy those needs and sufficient money to promote them successfully.

Having established a new product in one country it is not unusual to transplant it to another, the spread of successful products continues globally.

Despite similarities of life styles in different western countries there are significant differences in tastes, habits and cultural outlooks. The product transplant operation must therefore be conducted with considerable skill. The rewards are high but the risks are great.

Unilever is one of the world's giant companies that spreads its activities and its products around the globe, competing fiercely with other multi-nationals and with nationally-based rivals. In the food store field here, it is big in soaps, detergents, toothpastes and toilet preparations.

Its ability to succeed rests heavily on the skills it displays in the marketplace.

So the launch of a new product from overseas is a decision made after the most careful assessment and evaluation.

"There are three important criteria," marketing manager (toiletries) Peter Mitchell told NBR. "Has it been successful overseas and will it translate well to the local scene? Can local production facilities handle it, particularly in respect to containers and packaging? Does it fit well with the total strategy of the product range?"

About a year ago, Unilever decided that the Norska range of toilet preparations complied with the initial criteria and offered potential for significant sales growth.

Norska had already established high success ratings in other markets. Launched in

France 1976, under another name, it gained substantial additional shares in each product market of the range.

Strategically, the Norska range concept fitted well with company policy. In our highly fragmented toilet preparations market it is difficult to establish a single new brand which can only survive by establishing a large product share to generate the heavy support needed. Range marketing meant that small individual shares for each product could supply that heavy support overall.

After examining the carefully documented proposal, an inter-departmental steering committee made the decision to proceed.

It agreed on an operational plan and determined a critical path.

"Dambuster," the code word for the product development, was born. Researchers took the product to consumers and results confirmed the favourable reactions recorded in Australia.

As ingredient modifications required product reformulation the new variant was submitted to British laboratories for "safety clearance".

Labelling and packaging adjustments were made to suit conditions here.

The range decided on consisted of two styles of shampoo, two hair conditioners, an aerosol antiperspirant, a roll-on deodorant, a toilet soap, a cologne, and a foam bath.

Seven of the products fell into markets in which Unilever already had high market share but two, cologne and foam bath, were new markets for the company and the food trade. They offered opportunities of generating entirely new business.

The copy platform of "invigorating freshness" based on the Scandinavian outdoor image was unique to New Zealand. Norska was to be positioned as a family range of products, particularly aimed at adults of both sexes, and the perfume has been described as "unisex" — acceptable to men

and women.

Pricing was critical. A determining factor, naturally was the cost base plus promotional allowance, but it was important to establish Norska as an economy family range but upmarket relative to the food store environment.

As far as the new supermarket products were concerned — foam bath and cologne — they needed to be priced in their food store setting relative to similar products in chemists.

Unilever planned a high impact campaign. It was essential to realise quick communication of the range concept, to establish positioning and to secure trade acceptance and support. So, in the first six months, over \$400,000 was spent in television.

A series of functions was mounted for key trade personnel which underlined the

Scandinavian association. A strictly correct Scandinavian menu accompanied by the appropriate beverages was served and a trade film and product sampling told the Norska story.

It was important to indoctrinate the Unilever sales force and a sales conference held at the Chateau, in appropriate winter conditions, spelled out the sales strategy, the range and product stories. Sales activity plans were extremely detailed and established targets for both selling and display activity for each major store. There was an unparalleled level of sales material available.

Six months have passed since the launch, which most observers of retail activity would have described as spectacular, took place.

Every target was attained. The volume budget for prac-

tically every line was surpassed. The market share target was bettered in every measured category. Additional shares were gained with minimum attrition of existing brands. The most appreciated reward for effort was that the break-even was reached — well ahead of target date.

With a wealth of overseas experience behind the company, it could seem that a programme of this nature is just a blue-print operation. It's all been done before, just follow suit.

"That isn't so," said Peter Mitchell. "Every step has to be verified. Nothing that has happened in another market can be assumed to automatically happen here. Packaging variations are bound to occur. Plant capability must vary from country to country. Consumer attitudes are subtly different.

We do learn from other operations. But they come here at critical launch times to observe and learn from us as well."

"We see it as a way of bringing a higher standard of product to the New Zealand market," he said. "With our small population base, the costs of research and development alone would preclude the origination of world-class packaged products in this country. With an 'adopt and adapt' approach we can capitalise the economies of scale everywhere and still produce products of top quality standards.

"Although it is true that we must test and validate every aspect of the product again, in this country, we do save time that would otherwise have been lost by following unproductive avenues in developing new products."

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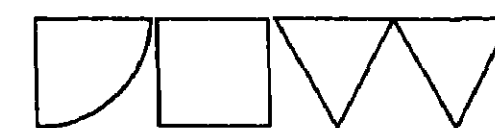
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US editors size up Reagan Administration

UNITED STATES newspaper editors say they feel comfortable about the Reagan Administration's prospects of solving the country's economic problems, but add that the improvement is unlikely until late 1981 or 1982.

They are more optimistic than pessimistic for the first time in four years about the economic outlook for the next 12 months.

Those are the main findings in the eighth annual survey of the media conducted by the American public relations firm, Hill and Knowlton Inc, parent of the local firm, Eric White and Associates.

The survey collates the views of 170 editors and broadcasters from across the United States, who represent major daily newspapers, radio and TV, and key business periodicals.

While such a survey among New Zealand media people

would probably be rubbished by various people, including you know who, it carries weight in America, where they take a different view of these things.

The survey shows that 80.2 per cent of those questioned are convinced that the national economy will fare better or remain the same in 1981 compared with the past 12 months. Only 18.2 per cent thought the economy would do worse.

Five issues were identified as the most important for the Federal government to handle this year:

- Controlling inflation;
- Reducing reliance on foreign energy;
- Encouraging capital formation through tax incentives;
- Increasing productivity growth through larger investment tax credits or depreciation allowances;
- Reducing government spending overall.

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses the company accounts.

In view of some of the current hot issues in this country, it is interesting to see that the editors consider environmental issues, such as disposal of hazardous wastes and storage for radioactive materials, are important but secondary to economic questions.

While they identified the major issues for 1981, the editors were more sanguine about the Reagan Administration's probable success in handling them.

Although controlling inflation was listed as the top issue in order of importance, the predicted success for the Reagan team fell below the "50-50" level (based on a scoring system which rates the

success from 0 to 10, the predicted success of Reagan in controlling inflation received a mean score of 4.83).

"Reducing reliance on foreign energy" scored 4.71, again below the mid-line. "Encouraging capital formation through tax incentives" did better, giving the Reagan Administration a predicted success rating of 7.18.

The administration's highest predicted success rating came under the heading of the issue "increasing defence spending", with 8.12, although the issue ranked only 18th in importance among 31 and has an "importance of issue" score of 5.70.

Reagan is also expected to do

well in cutting personal income taxes, reducing corporate income taxes, and in increasing productivity through tax credits or depreciation allowances.

The Reagan Administration's lowest predicted success was given to developing a national health insurance programme (1.78), but that ranked in 27th place among 31 issues with an importance rating of only 3.91.

The second lowest success rating was 2.51 for "federal subsidies to help underwrite the cost of consumer participation in government proceedings", an issue which was listed 30 out of 31 in importance.

The low success figure is not surprising, given the conservative image of the Reagan Administration, and its apparent use of major businessmen as advisers (on the principle that running a country is like running a large corporation when one is dealing with economic problems).

Other "predicted success of Reagan Administration" scores below 3 were 2.64 for requiring corporations to permit employees to inspect their personnel records; 2.80 for health warning labels on product "even without conclusive proof of hazard"; 2.95 for strength-

ening anti-trust prosecution under existing laws; and 2.96 for setting tighter federal regulations of lobbying.

Whether the success predicted for the Reagan Administration is only a reflection of the editors' view that the government will adopt a conservative philosophy, or whether they have overlooked the problem of keeping campaign pledges when one is in office, is unknown, but the results are in line with the thinking of a conservative president.

A section of the report, "additional comments from the editors", has statements which will be familiar to New Zealanders.

"Confidence in government will continue to decline unless government can cut the red tape and silly bureaucratic stuff that causes so many delays in the operation of the private sector. It makes no sense. It takes us 12 years to build a nuclear reactor because of all the regulations and permits you have to get. The Japanese can do it in five years."

"No matter what he does in four years, it won't help. For the last 20 years we have been heading for an economic mess, and nothing Reagan or anyone else can do in four years will get us out."

A sharemarket strategy:

INVESTMENT markets have returned to normal trading after the traditional New Zealand shutdown from Christmas till the third/fourth week of January.

The sharemarket started the year well, with small investors dominating the play in the first two weeks.

Institutional investors are getting back into the action as their fund managers and/or assistants return from wherever institutional fund managers spend their summer holidays.

Two weeks are insufficient to assess a possible trend for the full year, but it can be said tentatively that speculation is still alive in the minds of the individual investor.

Mining stocks are holding their own. There has been reasonable activity in second line companies which could be the target of an offer from another larger organisation, whether as a takeover prize, or as part of further "industry rationalisation", to quote the first broker newsletter off the press for this year.

The sharemarket should maintain itself at or slightly ahead of current prices for some time, until the final results for the March 1981 year come through.

Depending on where one sits, the inflation rate for 1981 will be between 15 and 17 per cent, the lower rate being favoured by Finance Minister Rob Muldoon, and the higher by other analysts, who, as we are constantly reminded, lack all the information available to the Government.

The Government has warned that it is prepared to impose penal public sector ratios on institutions and finance companies which expand credit too rapidly, and that means we are in for another year of high interest rates, as discussed in these pages last week.

High inflation and high money inevitably lead to high

interest rates, partly to compensate the lender and partly to reflect the demand for funds when there is a control over the supply.

But when interest rates are near, or slightly below the inflation rate, there is a minimal return to the lender, so the sharemarket can become more attractive if the investor considers the possibility of a price rise outweighs the downside risk inherent in an equity investment.

Tight money can have a spinoff in other directions. The housing market is one area where interest rates can act as a depressant on activity, if the potential purchaser considers the higher outgoings offer the merits of home ownership.

The present housing market varies according to particular regions of the country, with odd pockets doing well. The total business is said to be steady.

The innovative Americans have produced a scheme which lowers the interest rate burden on home mortgages, while giving the lender an additional return if the property is sold.

Under this arrangement, the money is lent at a rate below the normal market level, in return for an agreement that the lender will participate in the capital gain on sale.

The "capital gain" may be illusory to some extent, because the seller normally has to buy another dwelling and it can be assumed that all prices will rise in the period, although possibly unevenly, depending on the new locality.

If inflation accounting were applied to the capital gain it might be non-existent, but the system is apparently working in the United States, where interest rates have moved up strongly in the last year to 18 months, before a retreat in the last month or two.

It is an open question whether such a system would work in New Zealand. The

Analysing annual accounts: ICI NZ Ltd

ICI (New Zealand) Ltd's annual report and accounts comply with the requirements of Australian company law. Therefore the explanatory notes to the accounts give a mass of detail which makes our Companies Act a ludicrous child's guide to financial reporting.

The additional information, which the directors have provided beyond legal requirements, should be studied by all company boards, particularly the "tell 'em nothing" brigade, which still exists, although smaller than it was a few years ago.

There are few companies in this country which are prepared to break down their annual sales in 18 "markets", give four

geographical classes of export sales, and the investment in, and profit contribution of, 11 subsidiary companies.

The basic figures in the profit and loss account show that consolidated group sales rose 20.2 per cent to \$178.3 million in the year to September 30, 1980.

Profit before tax and extraordinary items dropped from 1979's \$13.5 million to \$11.6 million, but a lower tax expense offset the decline. After other minor adjustments, the company finished the year with \$6,943,000 on an equity accounting basis, compared with \$7,357,000 in the previous year.

The return on sales fell from

4.95 per cent to 3.89 per cent. The drop would have been larger without the drop in tax liability.

Taxation was 34.4 per cent of pre-tax profit last year, as against 38.8 per cent in 1979.

The company's 96 per cent increase in export sales (to \$13.5 million) provided export incentive rebates of \$1,199,000 compared with \$703,000 in the previous year.

The group's "report to shareholders" could be used by many other companies as an example of tight writing which uses simple language to explain what happened across the numerous industries in which the company is involved.

One quotation, taken at random, shows the style, even on such a mundane topic as slide fasteners.

"Sales of slide fasteners were affected by a reduction in discretionary spending on cloth-

ing and a fashion swing away from zips. The decline was further worsened by uncertainty in the garment industry since the decision on textile industry protection was announced. There was also a reduction in exports of zipper chain to Australia during the latter part of the year which reflected reduced demand within that market. Despite adverse trading conditions local market share was maintained with improved quality, updated fashion colours and faster delivery."

The structure of those sentences could probably be reorganised for the benefit of the purists, but they say simply what happened, without the waffle often seen in annual reports.

The balance sheet continues the trend towards improved financial strength and internal funding, which has been a fea-

ture of ICI's accounts in recent years.

In 1976 the group had \$13.9 million worth of term liabilities. The amount fell to \$8.2 million by 1979 and rose \$1.4 million to \$9.6 million in the latest year.

Total group assets in the same period have gone from \$85.1 million to \$110.1 million, so the company's gearing improved substantially in five years.

Group proprietorship ratio (shareholders' funds to total assets) was 51.5 per cent in September 1980, compared with 40.4 per cent in 1976, a solid improvement after allowance for a drop in liquid funds and other balance sheet changes which partly offset the reduction in term liabilities.

It is also interesting to compare other aspects of the 1976 and 1980 reports. The latter is 8 pages bigger than the former,

but the additional space is used well, because it contains much more analytical information than was available in the 1976 document.

The closing of the Fibremakers activities was a costly affair last year. The Fibremakers contribution to profit was a loss of \$325,000, after the company wrote off extra depreciation of \$702,000, and accounted for extraordinary items worth a net \$130,000 after taxation.

ICI has done well in recent years, in spite of the latest downturn, but that has failed to impress investors. The group had 4276 shareholders in 1976, and is now down to 3715. Each "size of holding" category has declined, which may seem mathematically impossible, but it seems that the people in the 1-1000 group, although falling in number, have increased their average holdings.



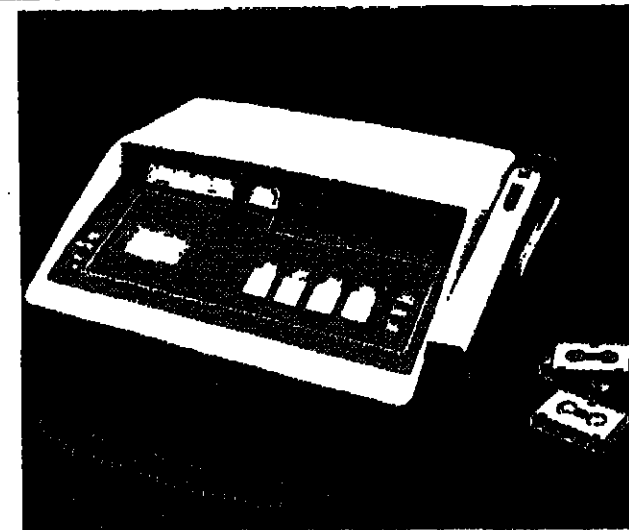
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The innovative Americans have produced a scheme which lowers the interest rate burden on home mortgages, while giving the lender an additional return if the property is sold.

Under this arrangement, the money is lent at a rate below the normal market level, in return for an agreement that the lender will participate in the capital gain on sale.

The "capital gain" may be illusory to some extent, because the seller normally has to buy another dwelling and it can be assumed that all prices will rise in the period, although possibly unevenly, depending on the new locality.

If inflation accounting were applied to the capital gain it might be non-existent, but the system is apparently working in the United States, where interest rates have moved up strongly in the last year to 18 months, before a retreat in the last month or two.

It is an open question whether such a system would work in New Zealand. The

structure of the home mortgage market is different from that of the United States, and local institutions may be unprepared to speculate on the state of the housing market a few years down the track.

Subject to similar innovation in New Zealand investment markets, 1981 will not be a year for investing money in fixed return securities. The small investor may find sharemarket pickings a better way to keep ahead of the inflation rate.

Opinions differ on the best market strategy after a rise such as that seen in the last three months of 1980. The individual investor could look at low priced stocks with high dividend yields, the "low priced" referring to the range of second (or third) liners selling for less than \$1.

Investment in that area has the advantage of producing a good percentage gain on a low price movement, because happily our market makes a one cent movement the minimum.

The following companies came into the category last week:

Alliance, Arthur Ellis, Atlas Majestic, Ballings, Bing Harris, BOS, Brother, Capital Life, City Realities (10 cents par value), Collingwood, Dalhoff and King, Gear, Golden Bay, Grosvenor, Hawkins, James Smith, John Burns, LWR, McAlpine, M O'Brien, Motor Traders, Neil, NZ Motor Bodies, Optical Holdings, Otago P & T, Repco, Scott, TNL, Vacation and Winstone. The list is not exhaustive, and there are others (Odins for example) sitting around the \$1 level. The list includes several "dogs", but some could be worth a punt, given the relatively low downside risk, and the possibility of strange investment happenings which other companies may stage this year.

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FOR WEEK FRIDAY JANUARY 16 TO THURSDAY JANUARY 22

The table gives the information of "capital" per farm, which is described as net worth, "available net farm income"

The urban dwellers who may criticise the farmer, can ask this question. Would they be prepared to pay between \$331,000 and \$528,000 for a business, and earn a return on their investment ranging from 3.95 per cent to 7.47 per cent?

If the answer is "yes", they might be surprised at the number of potential sellers available from the high country of the South Island, through to the rolling plains of Hawke's Bay.

"shareholder" (in this case those with a share in the farm's ownership) would be well ahead of that applicable to each

The inputs increase in line with annual inflation (inputs

R. A. JARDEN & CO.
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COMMUNICATIONS

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Wellington PO Box 9991 Telephone 738-978
Contact: Bevan Burgess or Grant Common

Christchurch PO Box 838 Telephone 68-082
Contact: Tom Brookett

Los Angeles Telephone (213) 634-8223
Contact: Jack Marlinton or Wallace James

MANAGEMENT RESOURCES LIMITED
Box 11-237, Manners Street PO
Telephone: 851-889 Wellington

	Last sale	Week's high	Week's low	Turnover
HALLENBERG	260	260	260	1100
HARRARI ENTERPRISES,25C	145	145	145	10800
HARRIS,50C	69	69	69	0
6.35 PR	...	...	...	0
H.B. FARMERS	300	300	300	1600
125 CONV PR	195	195	195	200
HAYWARD'S 5 PREF	65	65	65	0
HEALING	310	310	300	9700
10C DEB	...	...	...	0
125 CONV PR	...	...	...	0
H.POLLARD	380	380	370	5800
10C CONV PR	225	225	225	1200
HENRY BERRY,50C	100	100	195	16600
10C DEBS	235	...	...	0
HOLBROOK	250	250	250	1000
HOKKER,50C	73	...	...	0
HUMB INDUSTRIES	115	115	115	1000
3-7.52 PT PR	40	...	...	0
10C CONV DEBS	115	...	...	0
I.C.I.(AUSTR)	155	...	...	0
I.C.I.(NZ)	199	199	199	3000
IND BROADCASTING	115	...	...	0
INDEPENDENT NEWS	171	171	170	8100
IND. OIL,50C	104	...	...	0
INTERTECHN MZ,50C	...	...	...	0
J.I. MOY,50C	265	265	262	10300
JAMES AVATON	325	...	...	0
JAMES BRITH,50C	85	85	85	2000
145 CONV PR	32	32	32	100
J.E. WATSON	380	...	...	0
125 CONV PR	295	...	...	0
J.GUNDS	97	98	97	9200
125 CONV PR	190	190	190	1100
JOHN DUNDON	210	210	210	1100
J.WEBSTER,50C	37	37	37	12600
125 CONV PR	40	...	...	0
J.MERCER IND.,200C	70	...	...	0
J.McGILL,50C	...	...	...	0
J.MATHAN	122	125	122	400
6.35 PR	125	...	...	0
15C CONV DEBS	140	...	...	0
J.RATNAY	197	197	195	3600
12.55 CONV PR	135	135	135	400
KEARNS-DATINA,200C	210	...	...	0
L.I. JUDIS,50C	75	75	74	10000
125 CONV PR	85	85	85	700
LAKER,50C	50	50	45	1300
L.B.MATHAN	212	212	204	20900
15C CONV DEBS	...	...	...	0
CONV PR	198	198	198	4900
LEVLAND,50C	145	...	...	0
LION,50C	118	120	118	80400
10C CONV PR	111	111	108	2700
125 CONV PR	96	96	95	3500
L.M.OIL,50C	46	47	45	70500
LUSTERED	200	200	200	400
MINERAL CORP,50C	140	140	140	4100
15C CONV PR	75	75	70	2600
NAI,50C	250	250	248	1400
11C CONV PR	180	...	...	0
NANAWATU,50C	110	...	...	0
NATHUEL	165	...	...	0
NATKZ	380	385	380	4400
NCALPINE,50C	85	85	85	400
NECKLINE	215	215	210	1800
NELAND	205	205	205	1400
11C CONV PR	175	175	175	900
NIN,RESOURCES,20C	90	92	87	9800
N.O.BRIEN,50C	75	75	75	3000
12C CONV PR	55	55	55	1000
00000000000000000000000000000000	...	...	...	0
PORTANA,50C	154	154	152	6400
P-W-1,...	195	...	...	0
11C CONV NTS	170	170	170	500
125 CONV PR	13	...	...	0
POTTER HIGGS,50C	167	167	167	14600
12.55 PR	...	...	...	0
POTTER TP&D,50C	58	58	55	5300
3-8 PR	48	...	...	0
11.55 CONV PR	52	52	52	4500
PSI CORPN,50C	101	101	99	46300
12C CONV PR	102	102	102	500
PT. COOK	160	160	158	4800
W.T.H.HOLDS,50C	650	...	...	0
WATJINSE,50C	215	215	214	30400
NATIONAL TRADING	...	...	...	0
85 PR	...	...	...	0
NAVLOK	145	...	...	0
NEIL PHIL	60	...	...	0
NEIL HOLDINGS,50C	40	40	50	13700
N.J. CERNY	112	112	103	12500
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...	...	...	0
N.J.P.C.,50C	142	142	130	4400
N	...			

	Last sale	Week's high	Week's low	Turnover
J ALPHOND	195	195	195	1000
JANFORD	300	315	500	2200
135	---	---	---	0
12% CONV PR	230	---	---	0
12% "B" CONV PR	255	---	---	0
SCOFFIELD	125	125	125	705
SCOTT, SFC	80	80	75	4400
12.5% CONV PR	56	56	54	600
SELBY	260	260	260	3200
WELLS L&BUP, SFC	300	300	205	12600
5-7.5% PR	36	---	---	0
SMITH BIZ&LAB, SFC	165	165	162	49500
STONER CROSS MINE, SFC	52	52	45	43200
KRITING C.W.	192	192	167	4900
STN. BRITZYN	295	295	293	59000
STW. CROSS MINE	130	---	---	0
STONER CROSS MINE, SFC	52	52	45	43200
SPEDDING, SFC	75	65	65	700
12% CONV PR	65	65	65	0
STEEL & TUBE, SFC	112	112	100	59700
SUCKLING	160	165	160	2100
YACKSON	125	125	125	1800
12% CONV PR	118	118	118	400
TELTZMAN	130	150	140	6700
12% CONV PR	110	110	110	1100
T J ENDRIDGE	115	315	115	4800
TOLLEY	130	130	125	5000
TRANS F&J	35	---	---	0
TRANS AMBULATORY, SFC	34	35	34	2300
UT GROUP, SFC	95	95	92	26100
10% CONV PR	72	72	70	400
12% CONV PR	72	73	73	100
UTAH (NTH. CANT.)	110	110	100	1400
13.5% CONV PR	95	95	95	300
15% CONV PR.	95	---	---	0
U.D.C.	167	---	---	0
U.D.C., SFC	102	102	101	55300
6.5-7.5% PR	115	---	---	0
12% CONV PR	90	90	88	3300
12% CONV PR	60	60	60	3400
UNITED STEAM SHIP	82	---	---	0
5.2% PR	78	---	---	0
UNITED BLDG.	100	---	---	0
UNITED PUBLISHING, SFC	250	260	250	400
VACATION, SFC	67	67	65	14300
12% CONV PR	50	50	50	300
12.5% CONV PR	50	50	50	300
W&T&T-W&B	223	223	220	35400
11.5% CONV PR	178	178	178	3200
12% DEBS	165	---	---	0
WALKER & HALL	450	450	450	2300
WATTS, SFC	146	146	140	29400
12.5% CONV PR	85	85	82	2600
WELLS	163	163	163	1800
WESTRIDGE	250	---	---	0
WILKINS & DAVIES	230	230	220	300
WINTSTONE, SFC	87	87	84	200
W. JEFFERY	160	160	160	900
12% CONV PR	110	---	---	0
WILSON & WATZELL	440	440	440	13400
WILSON BATTILLERS	120	120	110	3000
WILSON HEILL	123	123	122	13800
12% CONV PR	160	---	---	0
WINTSTONE, SFC	87	87	84	46000
12% CONV PR	59	60	59	4400
WYTHE (N2) PROPS, 200C	72	---	---	0
5-7.5% PR	72	---	---	0
WYTHS AUST.	245	---	---	0
WYTHS AUST.	280	280	280	700
5-7.5% PR	100	---	---	0
WYTHS AUST.	245	---	---	0
WYTHS AUST.	125	---	---	0
YATES CORP	410	410	398	6850

Britain	3.978	New Caledonia	
United States	.9604	& Tahiti	80.50
Canada	1.1444	Norway	5.0120
Australia	.8112	Pakistan	9.4083
Fiji	7.7501	Portugal	51.38
Austria	13.53	Singapore	1.9736
Belgium	30.64	South Africa	71.58
China	1.4782	Spain	77.00
Denmark	5.8597	Sweden	4.2248
France	4.4371	Switzerland	1.7462
Greece	45.11	West Germany	1.9220
		Western Samoa	.8853

ADE

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Why, in the space of one year,
Lion gave us Steinlager Export
and The Cellars Wholesale;
NZMC awarded us Honda Accord;
Pork Marketing Board-Bacon, Ham
and Fresh Pork;
ICI-Baquacil;
and why Feltex Yarns;
Gilbeys Gin;
and Government Life
appointed Mackay King Advertising
to handle their business.

E. Monsanto
(Agricultural Division)
19/12/80

Our Clients' story

"It's simple -
their creativity works hard.
- It makes sales"

Barry King, Marketing Manager, Lion Marketing Board

"We appointed Mackay King this year after looking very thoroughly at Wellington's major agencies. We made our decision on a number of factors - the people, their expertise, how they ran their own business, whether they understood marketing and our market. They met all of those criteria.

But, the bottom line is always - can an agency give you high-powered advertising. It has to stand out from everything else before it can even start working. And then, it's got to deliver sales.

They proved to us they'd done exactly that for their other clients. They've now proved they can do it for the pork industry."



"Pork Marketing Board, 'Mum' - a 4-week campaign reached bacon sales by \$17 million.

"Their commitment to our business is total"

Brian Kennedy, Marketing Planning Manager, Lion Breweries

"Mackay King handle the advertising for a number of our brands. This year we added Steinlager Export to the list of their responsibilities. Why? Because they perform. I would also say that they have a degree of commitment and involvement in our business that is fairly unique. This means they can take the initiative intelligently. This means they are able to come up with new, workable, ideas - product as well as advertising."



The launch of New Zealand's finest premium lager.

"Mackay King have the resources we needed to handle our size of business"

Orlene Barrett, Assistant Commissioner - Marketing, Government Life

"Government Life is one of New Zealand's largest life offices - with a large staff and district offices throughout New Zealand. The business is exceptionally competitive. We have major development plans for the future. Our need was for an agency that not only had a track record of successful advertising based on marketing expertise but was big enough to take on the task.

That agency had to be in the top four or five in size - in people and buying power. The agency that best met our needs was Mackay King."



The new corporate symbol developed for Government Life

"They know how to use and get the best out of research"

Marketing Manager, The National Bank of New Zealand Limited

"Modern banking is a complex, sophisticated business. Our potential market is everyone in New Zealand. To make the most of that potential we must understand completely the requirements and needs of customers and non-customers alike. That takes solid, actionable research. Therefore, it's crucial that an agency not only understands what research is needed and participates in it but also knows how to use it - what to do with it.

We look to Mackay King not merely to make practical advertising recommendations but to contribute to the complete marketing programme. So much so that Mackay King's management are part of The Bank's Marketing Committee."



The National Bank. Back there a campaign for the bank's new credit card was the subject of National Bank advertising in the highest of any bank.

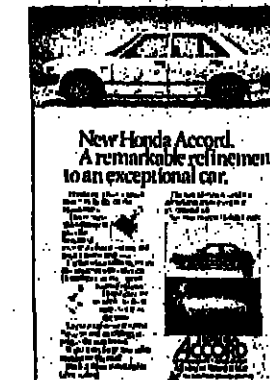


The Baquacil disinfectant campaign for the National Bank of New Zealand Limited.

NOV CHLORINE FREE
BAQUACIL
ITS ADVANTAGES
ARE CRISTAL CLEAR.



TV launch for ICI's Baquacil disinfectant reached sales by more than 200%.



TV and magazine advertising kept Honda Accord in the top sellers list.

Our side of the story

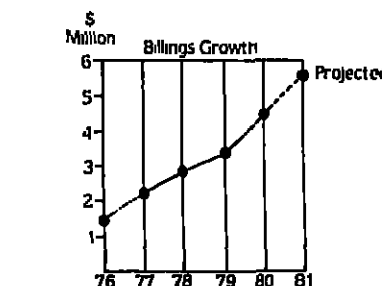
Of course, we'd much rather our clients told you why they work with us. It's the best reference we can have. And, people employ an agency for all sorts of reasons - depending on their needs. So just in case what's been said so far doesn't answer all your questions, here's our side of the story.

"We're successful"



Barry King, Marketing Manager, Mackay King. Our advertising solutions are beginning to show.

"We're successful in a number of ways. Size alone isn't everything but it's a good guide to resources. Mackay King is somewhere in the top five or six agencies in Wellington, in billings and staff numbers.



We're probably the fastest growing major agency in the country. One hundred percent growth in three years. Consistently, 30 plus percent each year. Some from new clients, some from existing clients.

While we've been adding business through the front door we haven't been losing it out the back door. Nor do we intend to. Carved on our collective hearts is this principle - 'Gaining new business will never be at the expense of existing clients.'

"Why are we so successful?"

The flip answer is, we're successful because our clients are successful. It's a cliché - but true. Some of the things that contribute to that success are:

We hire the best people with the best experience. Recently, people like Barry Mantley, previously a senior director with a leading international agency, David Green - media manager for two of New Zealand's leading agencies, and Tim Lachak and Anita Ludwig, a new creative team from the United States.

We're committed. We bury ourselves in our client's business. You'd expect that from any good agency. But an important consideration for our clients is that our people stay with us and with our clients. We own our business. All shares are held by agency staff and our staff share fully in our profits - based on their contribution to our success. Believe me, that breeds commitment and determination.

We're internationally minded. Mackay King is the New Zealand arm of Kenyon & Eckhardt - the 18th largest agency group in the world with 57 offices in 37 countries. That gives us complete access to international market data and advertising on any product or service category. That input is invaluable.

We also believe in getting out into the world. Over the last 12 months seven members of our staff have travelled overseas on business for our clients - to America, Asia, the Pacific Islands and of course, Australia."

"Our advertising is successful"



Government Life. Our advertising is successful.

"We don't create advertising to a formula. To do so is naive. The advertising process is not that simple.

Creatively, we always have two aims - stop people, then motivate them. Advertising moves people most when it is fuelled with the right kind of motivation and launched on a strong idea. That's not easy.

It means understanding what formal research can do, and just as importantly, what it cannot do. It means understanding who you should be talking to, so well that you can put on their particular emotional skin.

It means understanding that if people were rational animals, no-one would smoke, begot children, be overweight or place a bet. We don't pretend to have all the answers, but we've come up with some extremely effective ones so far. And we've many more to offer. After all, put the right people together and everything can happen."

Mackay King clients

A & T Burt Limited
A. J. Coleman Limited
Australian Dried Fruit Agents Partnership
Ballins Industries Limited
Bostik NZ Limited
Cory-Wright & Salmon Ltd
Europa Oil NZ Limited
Feltex New Zealand Limited
Franklin Mills Limited
Gilbeys NZ Limited
Government Life
ICI New Zealand Limited
Lentheric Mornay Cycles
Lion Breweries Limited
Monsanto New Zealand Limited
(Agricultural Division)
The National Bank of New Zealand Limited
New Zealand Motor Corporation
Pork Marketing Board
Refresh Holdings Limited
Royal New Zealand Navy
Scholl NZ Limited
Southern Bottlers Limited
Tree International Ltd
Van Staveren Bros Ltd
Wrightson Wines & Spirits Limited

If you'd like to know more about Mackay King, see our case studies, or discuss our creative philosophy, give us a call - Barry King or Bob Hall - on 856-324.

Mackay King

Mackay King Advertising Limited
Telephone 856-324, Wellington

A member of the Kenyon & Eckhardt Group

A bulge that has become uncomfortably large

by Colin James

MIDDLING sort of people, but with a fair sprinkling also of those in the highest-paid bracket — such was the nature of the Social Credit upsurge in the spring and summer, according to Heylen Poll analyses for the *National Business Review*.

This puts the main battlefield with the burgeoning third party in the middle of the political spectrum — where once National and Labour competed for votes largely undisturbed by outside forces.

And on this battlefield, it is Labour that has been coming off worse. From September to December last year, according to the Heylen Poll, Social Credit was taking between 1½ and 2½ times the votes from Labour that it was taking from National.

SOCIAL Credit is strongest in the middle of the political spectrum, but there are some unusual aspects to its recruitment pattern. In the second article in a series, Colin James looks at the lessons to be drawn from data collected in the monthly Heylen Poll and reanalysed exclusively for *National Business Review*. The series is mainly drawn from material now being prepared for publication in book form, covering the 1975 and 1978 elections, detailed surveys in Rangitikei, Roskill and Wairarapa in 1978 and 1979 and Heylen Polls and analyses since 1975.

But the subsidiary battlefield at the top end should also be worrying National, already since the late 1970s increasingly at risk to Labour there.

The pattern of Social Credit support can be seen in the graph, which plots the Heylen findings over the last three months of last year on a socio-economic scale.

Social Credit scored a little better than average in the highest category: 5.2 per cent of

Social Credit voters were in that category, compared with 4.8 per cent of all poll respondents taken together.

In fact, Social Credit scored best of the three main parties in this category. And this was particularly so among "loyal" voters — those who told poll interviewers they would vote now the same way they voted in 1978.

Some 8.5 per cent of "loyal" Social Crediters were in the top

category, a far higher percentage than for Labour (3.7 per cent) and clearly higher than National (5.9).

There is some comfort for National — those in the top category appear to have been less prevalent among Social Credit recruits than among "loyal" Social Crediters.

The 3 per cent figure for level I among Social Credit recruits was lower than the 3.3 per cent average figure for recruits to all parties — behind National's 4 per cent, though ahead of Labour's 2.7 per cent.

But the comfort is qualified: Social Credit recruits as a whole far outnumbered those to each of the other parties, making up more than two-fifths of all recruits, twice National's share. In straight percentages of level I voters recruited, Social Credit was a long way ahead.

Social Credit's strong showing at the top end is supported by other data collected by Heylen. It scored better than average in the top occupational ("professional, executive, managerial") and top income (\$20,000) categories.

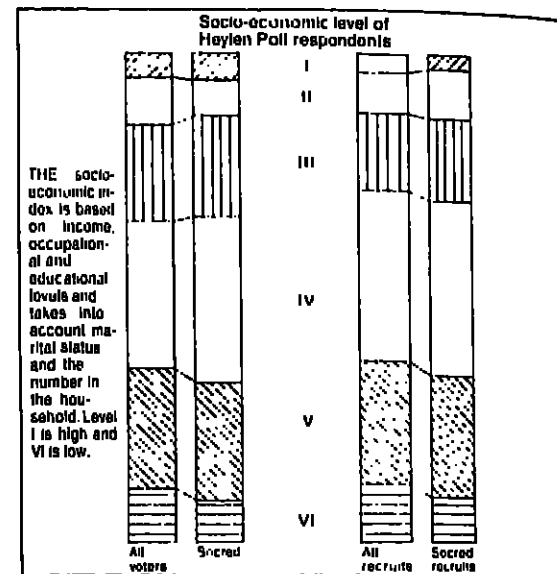
Again, among "loyal" Social Crediters this was markedly the case — and in the November poll, two weeks after National's leadership fight, this phenomenon was particularly evident.

The data lend support to claims by Social Credit leader Bruce Beetham that the league has been making headway among professional people — in the past a blank spot in its support.

And this finding ties in with by-election canvassing and membership success claimed by Social Crediters in some of the better parts of East Coast Bays.

But this is essentially a side-show. The main theatre of the electoral war is elsewhere.

Social Credit was not particularly well represented in socio-economic category II. The bulge came in the next two — III and IV — with average strength in category V.



Categories III and IV are where one would expect to find the main battleground between National and Labour.

And, given Social Credit's better-than-average recruitment in category II and lower-than-average recruitment in category VI, that would suggest Social Credit has been hurting National more than, or at least as much as, Labour.

Labour's "loyal" strength in the polls lay in categories IV and V, with a bias towards category V. And those categories tended to be less-than-average represented among those leaving Labour.

In fact, it was the leavers from National who were most likely to be found in category IV. All of which points to more damage to National than Labour.

The paradox is resolved, however, in that Labour leavers were more likely to be in categories II and III than National leavers. And, since there were a lot more Labour leavers than National leavers — almost half as many again — the greater Social Credit take from Labour than from National is confirmed.

However the Heylen data do suggest that the Social Credit

bite has been into the high socio-economic levels of Labour support, rather than the core.

Social Credit did not seem to pose nearly so much of a threat to the lowest socio-economic level of Labour support — and is under-represented there in the graph.

Indeed, the Heylen data show that National recruits were more likely than Social Credit recruits to be found in Category IV.

The socio-economic breakdown of Social Credit recruitment was reflected in income breakdown (taken over four months from September).

Social Credit recruits were more likely than average to be in households earning \$10,000 to \$20,000 (reflecting their relative strength in socio-economic category I) but were more likely than average to be in households earning above \$20,000.

They were less likely to be in households earning less than \$10,000.

Correspondingly, they were no more likely than average to be found in the "professional, executive, managerial" occupational category. That was also for their representation among blue-collar workers.

Social Credit's recruiting strength lay among the lower white-collar workers ("clerical sales, service") and among retired people and what Heylen now delicately calls "homemakers".

Similarly, Social Credit recruits were more likely than average to be in the older age groups — above 40 — and less likely to be found among the under-24s. In addition, though "loyal" Social Crediters were much more likely to be men than women, recruits were close to the average in the ratio of men to women.

And whereas "loyal" Social Crediters were most likely to be found in provincial cities, recruits were most likely to be found in Auckland.

It is a confused and confusing picture, leaving little for party strategists to go on. Above the most that can be said about Social Credit seems to have been having greater success among older, better-off Labour voters.

We might then speculate it is to middle New Zealand — once Labour's electoral base but now relatively affluent and conservative — and for some time an uneasy leaning — that Social Credit's appeal is strong.

NEXT WEEK: The Rangitikei.

'Whistle-blowers' act as unsung heroes

by Warren Berryman

DEMOCRACY's unsung heroes in New Zealand are the "whistle-blowers" — public servants who, through an act of conscience, decide to serve their taxpaying employers rather than their political masters by telling the truth. They risk harassment, sacking and prosecution.

Our government, like that of Richard Milhous Nixon's, refers to whistle blowers as "disloyal", and reminds them of their oath of secrecy.

When *National Business Review* and TV One began investigating the circumstances under which former National MP Ray La Varis was granted his lucrative import licences, the Department of Trade and Industry instigated a witch-hunt to find out who leaked information to the journalists.

Suspects, in the department's view, included those who had studied with this reporter at Victoria University.

Departmental staff became anxious that any association with the journalists, however innocent, would lead to dismissal.

Trade and Industry Minister Lance Adams-Schneider and Prime Minister Rob Muldoon accused the journalists of "harrasing" government servants (because they had tried to interview a junior staffer at her home as she was heading off to work).

There was no question about the truth of the information published. That was not the point.

Had Adams-Schneider's witch-hunt been successful, he would have faced the prospect of sacking or prosecuting the large number of officials who provided information because they were concerned about a situation in their department which they thought was not to the public benefit.

Adams-Schneider's embarrassment was understandable. His son was named by *Sunday News* as being associated with La Varis in an importing deal. Adams-Schneider's personal discussions with La Varis were being questioned. The whole import licensing system was the subject of heated debate.

At that time, Adams-Schneider said he did not think whistle-blowing by government servants was a useful check on governmental abuses of power. He made it publicly clear, after talking to departmental heads, that he was satisfied there was nothing amiss in the import licensing division.

At least some senior members of Adams-Schneider's staff knew there was something amiss. Long before the La Varis affair arose, *NBR* had been told by reliable sources about corruption in the import licensing department and about the steps already taken to rectify the situation.

THIS is part of a series in which Warren Berryman considers the American Freedom of Information and Privacy Acts in theory and in practice and compares the United States system with our own.

The Ombudsman's inquiry that resulted from the series of *NBR* articles and TV One news items found serious errors of judgment by departmental officers in dealing with La Varis's import licence requests (as well as upholding the reports published by *NBR* and TV One during the controversy).

Information about other importers received at that time by the Ombudsman, together with information supplied to appropriate bodies by the two reporters, led eventually to the three trials of import licensing officer Brian Pound.

Pound was not convicted. But the evidence produced at his trial showed the department's handling of import licensing to be wide open to fraud and patronage.

In the end, Trade and Industry turned its attention from witch-hunts for leaks towards correction of abuses and tightening of procedures.

Official secrecy is partially justified by the doctrine of Ministerial responsibility, which dictates that the Minister must take responsibility for his department's successes and failures.

In theory, Ministers are appointed by the Crown from the majority party (or parties making up a majority). The Minister is then responsible for his actions and the actions of his juniors to Parliament and Parliament alone.

In theory, Parliament can throw a Minister out of office when he has shown to be inept. In real political terms, Cabinet and Ministerial responsibility no longer prevail. Strict party discipline results in the executive controlling Parliament.

In practice, the Prime Minister selects and dumps Ministers.

Parliament is hardly in a position to judge a Minister's actions, much less boot him out of office, because Parliamentarians are denied important information about Ministerial activity. MPs can ask Ministers questions during Parliamentary question time. But, more often than not, the questions are fobbed off with non-specific waffle or denied answers on grounds of official secrecy or confidentiality.

And while Ministers are supposed to accept responsibility for their portfolios, it was Trade and Industry Secretary, Harry Clark, not Minister Adams-Schneider, who admitted the department's past failings and announced new procedures.

Four years ago, *NBR* looked into the operations of the Accident Compensation Commission. Our findings then were not dissimilar from the criticisms being made in Par-

liament at the close of the 1980 Parliamentary session. We discovered and published evidence of poor management, empire building, waste, and actuarial instability. We predicted that the ACC would either have to pull up its socks or increase its levies. Now it is clear that we were right.

But this won't give much help to the employee of the ACC who lost her job allegedly for leaking information to *NBR*. Her crime was to have attended the same university as an *NBR* reporter, and been known to have the occasional drink with him.

Under Commissioner Ken Sandford's management at that time, ACC staff leaked information generously. Many were committed to the ACC concept, but were appalled by management practices. They told about three hour lunch breaks in pubs, accountants doing private tax returns in ACC time, an executive who ran his own business on the side some floors down in the Williams Building, and ACC lawyers taking cases on the side.

Sandford issued warnings, threatening sackings of staff who leaked any information not personally approved by him.

When *NBR* interviewed co-commissioner Hugh Watt, Sandford phoned the editor to complain he hadn't authorised the interview. Sandford didn't contradict anything Watt said. He just wanted to be in control of all information about the ACC.

NBR didn't get its damning information about the ACC from the employee Sandford

sacked. We got it from going over his published accounts with the help of a professional insurance actuary. The rest of the mystery about how the ACC's huge wage bill was spent was easy. The ACC's staff weren't selling their part-time services by hiding them and any observer with a watch and time to spare could see how long they spent in pubs at lunch time.

It took Parliament four years to wake up to the ACC's shortcomings, move out Sandford and shake up the system.

It might have been quicker and cheaper if the press had been free to probe and the public's employees had been free from the threat of sacking and disgrace.

Ironically, Sandford threatened to spill the beans on the ACC himself if certain MPs didn't stop criticising him.

The information the sacked employee was alleged to have



Ken Sandford... wanted information control

leaked was trivial. It concerned changes in the ACC's list of job categories.

The principle involved was not trivial. The sacking created a climate of fear in the ACC — fear of being found guilty by association. To certain employees the lesson was clear: if you want to get ahead in the ACC, exclude critical journalists from your circle of friends.

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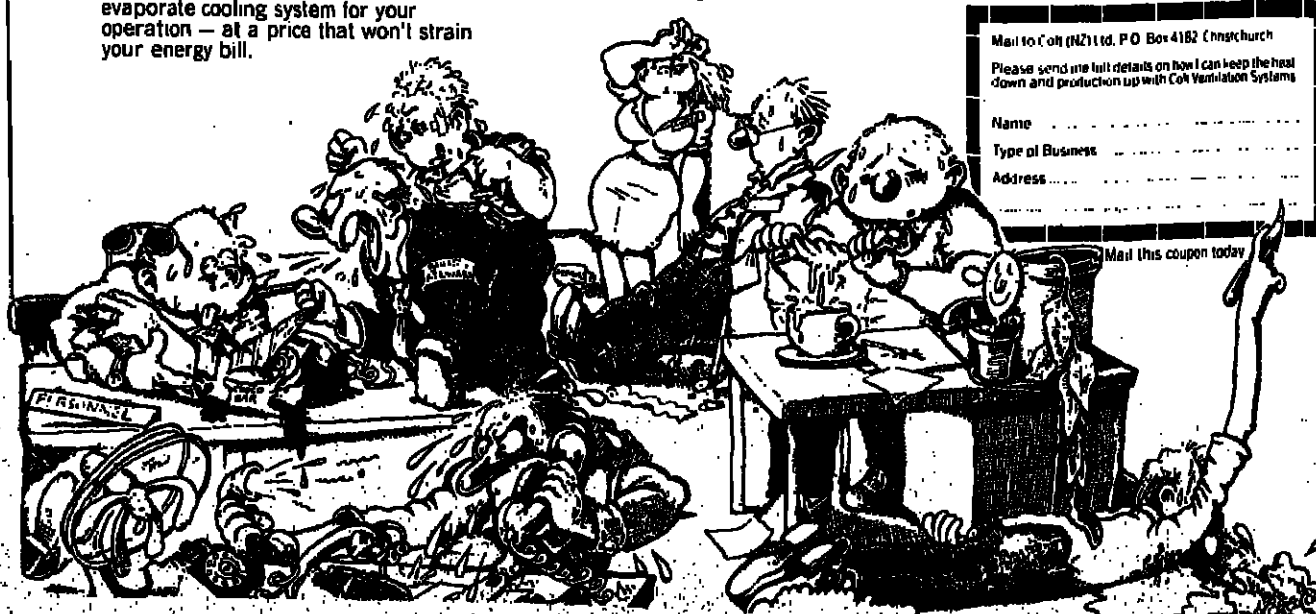
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